



W CAPITAL MARKETS PTE. LTD.

Incorporated in the Republic of Singapore)
(Company Registration Number: 201813207E)
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15 June 2021

The Directors of Viking Offshore and Marine Limited who are considered independent in relation to the Proposed Interested Person Transactions and the Proposed Whitewash Resolution (The **"Recommending Directors"**)

Mr Lee Suan Hiang (Lead Independent Director)
Mr Tan Wee Peng Kelvin (Independent Director)
Ms Phua Siok Gek Cynthia (Independent Director)

Dear Sirs and Madam,

LETTER TO THE RECOMMENDING DIRECTORS IN RELATION TO THE PROPOSED INTERESTED PERSONS TRANSACTIONS AND THE PROPOSED WHITEWASH RESOLUTION

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 15 June 2021 ("**Circular**") issued by Viking Offshore and Marine Limited (the "**Company**", and together with its subsidiaries (the "**Group**") shall have the same meanings herein.*

1. INTRODUCTION

On 1 February 2021 ("**Announcement Date**"), the Company announced ("**Announcement**") that it has, on the same date, entered into a conditional placement and loan agreement ("**Placement and Loan Agreement**") with Blue Ocean Capital Partners Pte. Ltd. ("**BOC**") and Mr. Ng Yeau Chong ("**NYC**", and together with BOC, collectively "**Subscribers**"), in relation to (i) a proposed placement of shares ("**Shares**") in the Company ("**Proposed Placement**"); and (ii) subject to completion of the Proposed Placement, the grant by each of BOC and NYC to the Company of secured interest-free shareholder's loans of S\$925,000 and S\$75,000, respectively ("**Shareholders' Loans**", and together with the Proposed Placement, "**Proposed Interested Person Transactions**").

Pursuant to the Proposed Placement, BOC and NYC will subscribe for such number of new Shares ("**Placement Shares**") equivalent to 80.475% and 6.525% respectively, of the enlarged issued and paid-up share capital of the Company on a Fully Diluted Basis (after taking into account, *inter alia*, new Shares to be issued to creditors of the Group ("**Conversion Shares**") as part of a proposed creditors scheme of arrangement ("**Scheme**"), for a cash consideration of S\$1,850,000 and S\$150,000, respectively ("**Placement Consideration**").

The Company will be seeking the approval of its shareholders ("**Shareholders**") for the Proposed Placement as well as new Shares to be issued and allotted as part of the Scheme at an extraordinary general meeting ("**EGM**") to be convened. The Company believes that the Proposed Allotment and Issue of Conversion Shares under the Scheme will allow the Company to address its solvency issues, facilitate the execution of any future business or restructuring plans and provide an opportunity for creditors to benefit from the potential rehabilitation of the Company. The Proposed Placement is an integral aspect of the Scheme and the Company's debt restructuring plan. If the Proposed Placement is not approved, the Scheme (which was

approved by the Scheme Creditors on 13 April 2021 and sanctioned by the Court on 28 May 2021) will not be effective.

BOC is a private company limited by shares incorporated in Singapore which is wholly-owned by Mr. Daniel Lin Wei, the son of Mr. Andy Lim (the Chairman and Executive Director and a Substantial Shareholder of the Company). As at the Latest Practicable Date, Mr. Daniel Lin Wei holds (whether directly or indirectly) 840,000 Shares and 120,000 Warrants in the Company.

NYC is the Chief Executive Officer and Executive Director of the Company. As at the Latest Practicable Date, NYC holds 1,540,000 Shares and 220,000 Warrants in the Company.

Accordingly, each of BOC and NYC is considered an "Interested Person" pursuant to Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**") and the Proposed Placement to BOC and NYC, and the Shareholders' Loans to be extended by BOC and NYC to the Company constitute interested person transactions ("**IPTs**"). Thus, the Company is seeking the approval of independent Shareholders for the Proposed Placement as Interested Person Transactions under Chapter 9 of the Catalyst Rules.

In addition, as a result of the Proposed Placement, BOC will acquire more than 30% of the voting shares in the Company and would be obliged to make a mandatory offer under Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**") for all the Shares in issue, unless the relevant waivers under the Code are obtained. Accordingly, the BOC has made an application to the Securities Industry Council (the "**SIC**") for a waiver of the requirement under Rule 14 of the Code for BOC to make a mandatory general offer under Rule 14 of the Code for all the issued Shares, as a result of the allotment and issue of the Placement Shares to BOC ("**Whitewash Waiver**").

W Capital Markets Pte. Ltd. ("**W Capital Markets**") has been appointed as the IFA to advise the Recommending Directors on the Proposed Interested Person Transactions and the Proposed Whitewash Resolution. This letter ("**IFA Letter**") is therefore addressed to the Recommending Directors and sets out, *inter alia*, our evaluation and opinion on the Proposed Interested Person Transactions and the Proposed Whitewash Resolution. This Letter forms part of the Circular to Shareholders which provides the details of the Proposed Transactions and the Proposed Whitewash Resolution and the recommendations of the Recommending Directors thereon.

2. TERMS OF REFERENCE

The purpose of this Letter is to provide an independent evaluation and opinion on whether: (i) the Proposed Placement, being an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders; (ii) the terms of the Proposed Placement, being the transaction that is the subject of the Proposed Whitewash Resolution, are fair and reasonable; and (iii) the Proposed Whitewash Resolution in connection with the Proposed Placement is prejudicial to the interests of the Independent Shareholders. W Capital Markets has been appointed as the IFA to advise the Recommending Directors pursuant to Listing Rule 921(4)(a) of the Catalyst Rules, and has prepared this IFA Letter pursuant to the requirements of Chapter 9 of the Catalyst Rules as well as for the use of the Recommending Directors in connection with their consideration of the Proposed Transactions. The recommendations made by the Recommending Directors to the Shareholders shall remain the responsibility of the Recommending Directors.

We were neither a party to the negotiations entered into by the Company in relation to the Proposed Transactions, nor were involved in the deliberations leading up to the decision on the part of the Directors to undertake the Proposed Transactions. Accordingly, we do not, by this IFA Letter, warrant the merits of the Proposed Transactions and our terms of reference do not require us to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks (if any) of the Proposed Transactions.

In the course of our evaluation, we have held discussions with the management of the Company (the “**Management**”) and/or their professional advisers and have examined and relied to a considerable extent on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and/or their professional advisers, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and exercised our judgment on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information. In this regard, we note that the Directors have collectively and individually accepted full responsibility for the accuracy of the information given in the Circular as set out in the “Directors’ Responsibility Statement” in Paragraph 19 of the Circular.

The scope of our appointment does not require us to perform an independent evaluation or appraisal of the assets, liabilities and/or profitability of the Company and its subsidiaries (the “**Group**”) and we do not express a view on the financial position, future growth prospects and earnings potential of the Company after the completion of the Proposed Transactions in accordance with the terms of the Agreement (“**Completion**”). As such, we have relied on the disclosures and representations made by the Company on the value of the assets and liabilities and profitability of the Group.

The information on which we relied was based upon market, economic, industry, monetary and other conditions prevailing as at 11 June 2021, being the latest practicable date prior to the printing of the Circular (the “**Latest Practicable Date**” or “**LPD**”), which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or affirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Independent Shareholders should take note of any announcements relevant to the Proposed Transactions and the Proposed Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

In rendering our opinion in relation to the Proposed Placement and the Proposed Whitewash Resolution, we have not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder or specific group of Shareholders. As each Shareholder would have different investment objectives and profiles, we recommend that any individual Shareholder or specific group of Shareholders who may require specific advice in the context of his specific or their investments objectives or portfolio(s) consult his or their legal, financial, tax or other professional adviser.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement, and do not provide any advice (financial or otherwise), in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility or and express no views, whether express or implied, on the contents of the Circular (other than this IFA Letter).

Our opinion in relation to the Proposed Placement and Proposed Whitewash Resolution should be considered in the context of the entirety of this IFA Letter and the Circular.

3. INFORMATION ON THE COMPANY AND THE GROUP

The Company offers offshore and marine services to the yards, vessels owners and oil majors. The Company designs, manufactures and installs heating, ventilation, air conditioning and refrigeration systems for offshore oil platforms in China and Southeast Asia. In addition, the Company provides asset chartering services. The Company is listed on the Catalist board of the SGX-ST but its shares have been suspended from trading on the SGX-ST since 14 June 2019.

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As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$102,604,532 comprising 1,098,719,574 Shares (excluding 7,961,500 treasury shares) as well as 97,491,109 outstanding Warrants. Upon completion of the Proposed Share Consolidation, the Company will have in issue a total of 21,974,288 Consolidated Shares (excluding 159,230 treasury shares) as well as 1,949,801 Adjusted Warrants (subject to certification as required under the terms and conditions of the Warrants set out in the Deed Poll).

4. SALIENT TERMS OF THE PROPOSED INTERESTED PERSON TRANSACTIONS

The detailed terms of the Proposed Placement have been set out in Paragraph 2 of the Circular. A summary of the salient terms is set out below for your reference:

4.1 Key terms relating to the Proposed Placement

The Placement Consideration of S\$2.0 million in aggregate is payable by the Subscribers to the Company in cash on completion of the Proposed Placement. The issue price of the Placement Shares ("**Placement Price**") is equivalent to the relevant Placement Consideration divided by the number of relevant Placement Shares to be allotted and issued to each of the Subscribers. The number of Placement Shares to be allotted and issued to each of the Subscribers shall be such number that will result in BOC and NYC holding such number of Shares representing 80.475% and 6.525% respectively (the "**Agreed Shareholding Proportion**"), of the enlarged issued Shares after taking into account the new Conversion Shares to be issued to pursuant to the Scheme.

It is proposed that the Placement Shares shall be allotted and issued after completion of the proposed consolidation of every fifty (50) Existing Shares in the capital of the Company held by Shareholders of the Company at the Record Date into one (1) Consolidated Share, fractional entitlements to be disregarded (the "**Proposed Share Consolidation**"). Accordingly, the Placement Price has been determined to be approximately S\$0.004185 ("**Illustrative Consolidated Placement Price**") per Placement Share (assuming the Illustrative Consolidated Placement Shares Issue of an aggregate of 490,990,951 Placement Shares) or S\$0.00008369 ("**Illustrative Unconsolidated Placement Price**") per Placement Share (assuming the Illustrative Unconsolidated Placement Shares Issue of an aggregate of 24,549,591,182 Placement Shares).

The relevant Placement Price set out above may be varied according to the number of Placement Shares ultimately issued to the Subscribers and whether or not the Proposed Consolidation has been approved by Shareholders (the "**Variation**").

It is noted that further new Placement Shares shall continue to be allotted and issued to the Subscribers from time to time to maintain the aggregate Agreed Shareholding Proportion of 87.0% shareholding of the Subscribers in the Company in the event any new Shares are issued pursuant to the exercise of any Warrants or Adjusted Warrants (including the exercise of such Adjusted Warrants that have further adjusted after the Share Issuance Completion ("**Further Adjusted Warrants**")) as the case may be, held by the existing Warrantholders.

4.2 Conditions Precedent

Completion of the Proposed Placement is conditional upon the satisfaction or waiver of, *inter alia*:

- (a) approval of the Scheme on terms (including without limitation, the allotment and issue of new Shares in connection therewith) acceptable to the Subscribers by the creditors of the Company in compliance with the requirements of Section 210 of the Companies Act, and such approval remaining in full force and effect as of completion under the Agreement;

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- (b) the sanction of the Scheme by the High Court of Singapore pursuant to the Companies Act and a copy of such court order sanctioning the Scheme being lodged with the Accounting and Corporate Regulatory Authority of Singapore pursuant to Section 210(5) of the Companies Act;
- (c) all regulatory approvals being obtained and not withdrawn, including without limitation, (i) the listing and quotation notice from the SGX-ST for the dealing in, listing of and quotation for, *inter alia*, the Placement Shares on the SGX-ST, and (ii) the SGX-ST's approval-in-principle for resumption of trading of the Shares on the SGX-ST, and where any of the aforesaid approvals is obtained subject to any conditions, such conditions being fulfilled and not revoked, rescinded or cancelled;
- (d) the Company remaining listed on the SGX-ST and there being no notice or proposal for the delisting of the Company;
- (e) the SIC having granted BOC and its concert parties (and not having revoked or repealed such grant) the Whitewash Waiver, subject to (i) any conditions that the SIC may impose, provided that such conditions are reasonably acceptable to BOC and its concert parties; and (ii) the Independent Shareholders approving at an EGM to be convened, the Proposed Whitewash Resolution;
- (f) approval of Shareholders for (1) the Proposed Placement (which for the avoidance of doubt shall be for up to such number of new Shares to be issued to the Subscribers (i) taking into account the Conversion Shares to be issued in accordance with the terms of the Scheme at the material time and (ii) assuming the exercise of all the existing warrants held by Warranholders of the Company as at the date of the Placement and Loan Agreement, (2) the allotment and issue of Conversion Shares in connection with the Scheme, (3) the appointment of such persons as may be nominated by BOC as directors of the Company, and (4) such other transaction contemplated in connection with the Placement and Loan Agreement and the Scheme being obtained at the EGM; and
- (g) the Proposed Placement not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement and Loan Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to any party to the Placement and Loan Agreement.

As at the Latest Practicable Date, conditions set out in sub-paragraphs (a), (b), (e) and (g) above have been satisfied. In the event that any of the aforementioned conditions precedent as set out in the Agreement is not satisfied on or before 31 July 2021 (or such later date as the parties to the Placement and Loan Agreement may agree in writing), the Placement and Loan Agreement will *ipso facto* cease.

4.3 Additional Provisions

The Placement and Loan Agreement also provides for:

- (a) the right of BOC to nominate new directors to the Board of the Company on Completion, such directors to hold a majority of the seats of the Board of the Company, subject to compliance with the requirements of the Catalist Rules and the Code of Corporate Governance 2018;
- (b) an undertaking by the Company in favour of the Subscribers that pending Completion, it shall consult and jointly decide with the Subscribers before (i) making any change in the nature or scope of its business nor dispose of the whole of its undertaking or property or a substantial part thereof, (ii) allotting, issuing, redeeming or repurchasing any share or loan capital (or option to subscribe for the same) of the Company, (iii) making any loan or advance of over S\$100,000 to any person, save in the ordinary course of business, (iv) initiating voluntary liquidation or winding up proceedings in respect of the Company or (v) making any alteration to the provisions of the constitution of the Company; and

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- (c) in connection with and subject to completion of the Proposed Placement, the Shareholders' Loans shall be repayable on the date falling 12 months (subject to extension based on mutual agreement) after the date of completion of the Proposed Placement, being the date of disbursement of such amounts under the loans. The Shareholders' Loans, when disbursed, will be secured by a first fixed and floating charge over all the assets of the Company in accordance on such terms to be mutually agreed between the parties.

In respect of 4.3(a) above, BOC has informed the Company that it has waived its rights to nominate new directors to the Board of directors of the Company and will not be seeking to appoint any new directors at the EGM.

4.4 Shareholders' Loans

Subject to and upon the completion of the Proposed Placement, each of BOC and NYC shall grant to the Company secured interest-free shareholder's loans of S\$925,000 and S\$75,000, respectively. The Shareholders' Loans shall be repayable on the date falling 12 months (subject to extension based on mutual agreement) after the date of Completion, being the date of disbursement of such amounts under the Shareholders' Loans. The Shareholders' Loans, when disbursed, will be secured by a first fixed and floating charge over all the assets of the Company in accordance on such terms to be mutually agreed between the parties. As the Shareholders' Loans are interest-free, there is no amount at risk to the Company.

5. THE PROPOSED WHITEWASH RESOLUTION

On 8 June 2021, the SIC had waived the obligation for BOC to make a general offer under Rule 14 of the Code for the Company incurred as a result of BOC and its concert parties increasing their shareholdings to more than 30.0% under the Proposed Placement ("**Whitewash Waiver**"), which is subject to the satisfaction of certain conditions set out in Paragraph 5.2 of the Circular, including, *inter alia*:

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Placement Shares to BOC (which includes further new Placement Shares which shall be allotted and issued to BOC from time to time to maintain the Agreed Shareholding Proportion of 80.475% in the event any new Shares are issued pursuant to the exercise of any Warrants or Adjusted Warrants (including the exercise of Further Adjusted Warrants) as the case may be), held by existing Warrantholders (which include Mr. Daniel Lin Wei, Mr. Andy Lim and Associated Leisure International Pte Ltd, whom are all concert parties of BOC) from time to time after the Share Issuance Completion, to address any dilution effect arising from the issue of such new Shares, but excluding any increase in VOM's share capital that is not caused by the exercise of any Warrants, Adjusted Warrants or Further Adjusted Warrants, as the case may be), a whitewash resolution ("**Proposed Whitewash Resolution**") by way of a poll to waive their rights to receive a general offer from BOC;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) BOC and its concert parties, as well as parties not independent of them, abstain from voting on the Proposed Whitewash Resolution; and
- (d) BOC and its concert parties did not acquire, and are not to acquire, any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):
- (i) during the period between the Placement Term Sheet Announcement (on 14 January 2021) and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

- (ii) in the 6 months prior to the date of the Placement Term Sheet Announcement on 14 January 2021, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Placement;
- (e) the Company appoints an independent financial adviser (“**IFA**”) to advise its independent Shareholders (“**Independent Shareholders**”) on the Proposed Whitewash Resolution; and
- (f) to rely on the Proposed Whitewash Resolution, the approval of the Proposed Whitewash Resolution must be obtained within 3 months of 8 June 2021, being the date of the SIC letter and the issue of the Placement Shares under the Proposed Placement must be completed within 3 months of the approval of the Proposed Whitewash Resolution.

Shareholders should note that the Proposed Placement is conditional, among other things, upon the passing of the Proposed Whitewash Resolution by the Independent Shareholders. In view of this, in the event that the Proposed Whitewash Resolution is not approved by the Independent Shareholders, the Proposed Placement will not proceed. Shareholders should also note that the Scheme is conditional upon the completion of the Proposed Placement.

6. EVALUATION OF THE PROPOSED PLACEMENT AND PROPOSED WHITEWASH RESOLUTION

In arriving at our opinion on, *inter alia*, whether the Proposed Placement is fair and reasonable and on normal commercial terms, we have given due consideration to the following salient factors:

- (i) Rationale for the Proposed Transactions and the use of proceeds;
- (ii) Historical financial performance and financial condition of the Group;
- (iii) Assessment of the terms of the Proposed Placement;
- (iv) Dilution impact of the Proposed Placement on the Independent Shareholders; and
- (v) Other relevant considerations which may have a bearing on our assessment of the Proposed Placement and the Proposed Whitewash Resolution.

6.1 Rationale for the Proposed Placement, the Scheme and the Proposed Allotment and Issue of Conversion Shares and the Use of Proceeds

We have considered the rationale by the Company for the Proposed Placement and the Scheme as well as the stated use of proceeds set out in Paragraph 2.7 of the Circular, and we have set them out in italics below for your easy reference:

“2.7.1 Since FY2018, the Group began to experience financial difficulties arising from liquidity issues. These financial difficulties principally arose from three causes: (a) firstly, the overall business environment in the (i) offshore and marine and (ii) oil and gas industries as a whole has been challenging, caused among other things by a 2014 collapse in oil prices, which have yet to fully recover; (b) secondly, there has been a general decline in upstream capital expenditure in industries adjacent to the (i) offshore and marine and (ii) oil and gas industries. This has affected the revenues of the industry as a whole; and (c) thirdly, key contractual counterparties of companies within the Group have defaulted on their contracts with companies within the Group.

2.7.2 The Company is an investment holding company with no active operations of its own. The Company’s liabilities primarily arose from its guarantees provided in respect of the liabilities of its subsidiaries. The Company is not able to meet its liabilities to its creditors as they fall due and is presently in default thereon.

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- 2.7.3 *The Company's audited full-year financial results for the financial year ended 31 December 2020 show that:*
- (a) *the Company had non-current assets valued at approximately S\$4,467,000 (almost all of which are in the form of its equity interests in subsidiaries);*
 - (b) *the Company had current assets of only S\$201,000. In contrast, the Company's currently-due liabilities to its creditors stood at approximately S\$20,847,000 (which included approximately S\$19,358,000 due to its subsidiaries);*
 - (c) *the Company therefore does not have sufficient liquid assets to meet its current liabilities as they fall due; and*
 - (d) *the Company is also subject to various court proceedings relating to unmet liabilities.*
- 2.7.4 *Accordingly, if the Company is not able to successfully restructure its liabilities, the alternative for all creditors would be insolvent liquidation. In such a situation, Shareholders are to take note that creditors' claims rank ahead of Shareholders'. The Company's assets are therefore first distributed to its creditors. A Shareholder is only entitled to his pro-rated share of the remainder after all creditors have been paid. If the assets are insufficient to satisfy all creditors, Shareholders will not receive any distribution of assets and may lose the money they paid for their Shares.*
- 2.7.5 *The Proposed Placement is intended to provide funds to the Company to, amongst others, facilitate the restructuring of its debts and liabilities as part of the Scheme with a view to rehabilitating the financial health of the Group. The Directors are of the opinion that: (i) taking into consideration the Group's present bank facilities, the working capital available to the Group is not sufficient to meet its present requirements; and (ii) as at the Latest Practicable Date, after taking into consideration the Group's present bank facilities and the net proceeds of the Proposed Placement, assuming the successful completion of the Proposed Placement and the Scheme, the working capital available to the Group is sufficient to meet its present requirements.*
- 2.7.6 ***The Company believes that the Proposed Allotment and Issue of Conversion Shares under the Scheme will allow the Company to address its solvency issues, facilitate the execution of any future business or restructuring plans and provide an opportunity for creditors to benefit from the potential rehabilitation of the Company. The Proposed Placement is an integral aspect of the Scheme and the Company's debt restructuring plan and if the Proposed Placement is not approved, the Scheme (which was approved by the Scheme Creditors on 13 April 2021 and sanctioned by the Court on 28 May 2021) will not be effective.***
- 2.7.7 *Although the Proposed Placement is not part of the Scheme, the Scheme is conditional upon, amongst others, the completion of the Proposed Placement and vice versa.*
- 2.7.8 *The aggregate gross proceeds of the Proposed Placement and loans to be granted by the Subscribers, is S\$3.0 million. The Company intends to use 100% of these proceeds for the repayment of debts owed to eligible creditors of the Company under the Scheme.*
- 2.7.9 *In accordance with Rule 704(30) of the Catalist Rules, the Company will make periodic announcements on the use of the gross proceeds of the Proposed Placement amounting to S\$2.0 million ("**Placement Proceeds**") as and when the proceeds are materially disbursed, including whether the use was in accordance with the stated use and in accordance with the percentage allocated as announced, and provide a status report on the use of the Placement Proceeds in the Company's financial results announcements and annual reports. The Company will disclose a breakdown with specific details on the use of the Placement Proceeds (including those used for working capital purposes) in such announcements and annual reports. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation."*

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6.2 Historical Financial Performance and Financial Condition of the Group

6.2.1 A summary of the audited financial performance of the Group for the last three (3) financial years ended 31 December (“FY”) 2018, 2019 (which has been restated) and 2020 and the latest quarter ended 31 March 2021 (“Q1FY2021”) are set out below. The following summary financial information should be read in conjunction with the full text of the Company’s annual report for FY2018, FY2019 and FY2020, and the results announcements in respect of the relevant financial periods including the notes/commentaries thereto.

Financial performance of the Group

S\$'000	FY2018 Audited	FY2019 Restated	FY2020 Audited	Q1FY2021 Unaudited
Revenue	30,146	21,273	17,187	2,631
Cost of sales	(18,606)	(15,294)	(12,206)	(1,789)
Gross profit	11,540	5,979	4,981	842
Other income	957	186	1,391	792
Marketing and distribution expenses	(169)	(305)	(127)	(22)
Administrative expenses	(10,326)	(8,295)	(7,845)	(1,715)
Impairment loss on financial assets, net	(2,487)	-	(175)	-
Other operating expenses	(8,862)	(26,612)	(16,652)	(40)
Operating profit	(9,347)	(29,047)	(18,427)	(143)
Finance income	13	14	7	1
Finance costs	(3,508)	(2,450)	(6,956)	(678)
Share of results of associates, net of tax	(15,403)	-	-	-
(Loss) / profit before tax	(28,245)	(31,483)	(25,376)	(820)
Income tax (expense) / credit	197	128	(85)	-
Loss after tax from discontinued operations	-	(634)	(627)	-
(Loss) / profit for the year	(28,048)	(31,989)	(26,088)	(820)
Profit / (loss) attributable to				
Owners of the Company	(28,048)	(31,978)	(26,046)	(806)
Non-controlling interests	-	(11)	(42)	(14)

Source: Company’s Annual Reports and Announcements

Note:

(1) Figures shown as totals in the above table may not be an arithmetic aggregation of the figures that precede them due to rounding.

Review of operating results

FY2019 vs FY2018

The Group’s revenue decreased by 29.4% or S\$8.87 million from S\$30.15 million in FY2018 to S\$21.3 million in FY2019 due to no revenue recognised for the asset chartering business in FY2019 and a lower order book brought forward. Gross profit decreased by 48.2% or S\$5.56 million from S\$11.54 million in FY2018 to S\$5.98 million in FY2019 mainly due to the decline in revenue.

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Other income decreased by 80.6% or S\$0.77 million from S\$0.96 million in FY2018 to S\$0.19 million in FY2019 as the Group posted unrealised foreign exchange loss for the FY2019 as compared to the unrealised foreign exchange gain in FY2018 due to the weakening of the USD against SGD in FY2019.

Marketing and distribution expenses increased by 80.9% or S\$0.14 million from S\$0.17 million in FY2018 to S\$0.31 million in FY2019 mainly due to higher traveling expenses incurred by the salespersons in securing projects during the year.

Administrative expenses decreased by 19.7% or S\$2.03 million from S\$10.33 million in FY2018 to S\$8.30 million in FY2019 largely due to the rightsizing of manpower and curtailed spending in response to the business level of the Group amidst the challenging market condition.

Other operating expenses increased by 200.3% or S\$17.75 million from S\$8.86 million in FY2018 to S\$26.61 million in FY2019 due mainly to accounting adjustments on valuation of certain assets on the balance sheet. These material items and their accounting effects are as follows:

1. Impairment on intangible assets pertaining to goodwill relating to the acquisition of the Heating, Ventilation, Air Conditioning and Refrigeration Systems business and Offshore and Marine Telecommunication business amounting to S\$6.3 million.
2. Impairment on trade receivables pertaining to the land rig charter contracts amounting to S\$4.2 million. The Group received a favourable arbitration award in 2018 for a total amount of approximately US\$71 million. While the Group continues to pursue the award in the courts of China, the net receivables from the charterer of the land rigs were written down due to the long outstanding nature and the Group is unable to reasonably foresee the probability of recovery of such amount.
3. Impairment on inventories pertaining to a land rig, slow moving stocks and work in progress totalling S\$13.9 million.

There was no share of results of associates in FY2019 as the associated companies that each owned a newbuild contract for an offshore jack-up drilling rig with a Chinese yard had no business activity during the year after writing down the assets in FY2018.

Arising from the above, net loss after tax increased 14.1% or S\$3.94 million from S\$28.05 million in FY2018 to S\$31.99 million in FY2019.

FY2020 vs FY2019

The Group's revenue decreased by 19.2% or S\$4.09 million from S\$21.27 million in FY2019 to S\$17.19 million in FY2020 due to a more challenging offshore and marine industry condition, the COVID-19 global pandemic situation and completion of the disposal of the Group's properties at Kian Teck Road (the "**Disposal**"). Notwithstanding the decline in revenue, the Group's gross profit margin increased from 28% for FY2019 to 29% for FY2020 due to higher revenue mix of services and products in FY2020 which traditionally yield a higher gross profit margin.

Other income increased by 647.8% or S\$1.21 million from S\$0.19 million in FY2019 to S\$1.39 million in FY2020 mainly due to the government grant support under the COVID-19 relief measures and other income received from settlement of customers disputes.

Marketing and distribution expenses decreased by 58.4% or S\$0.18 million from S\$0.31 million in FY2019 to S\$0.13 million in FY2020 mainly due to lesser traveling expenses incurred by the salespersons in securing projects during the year, which was impacted by the COVID-19 global pandemic situation in FY2020.

Administrative expenses decreased by 5.4% or S\$0.45 million from S\$8.30 million in FY2019 to S\$7.85 million in FY2020 due to managed spending from the lower business activities and uncertain operating conditions and outlook.

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Other operating expenses decreased by 37.4% or S\$9.96 million from S\$26.61 million in FY2019 to S\$16.65 million in FY2020 due mainly to accounting adjustments on valuation of certain assets on the balance sheet. These material items and their accounting effects are as follows:

1. Impairment on intangible assets pertaining to goodwill relating to the the acquisition of the Heating, Ventilation, Air Conditioning and Refrigeration Systems business and Offshore and Marine Telecommunication business amounting to S\$6.3 million.
2. Impairment on inventories pertaining to a land rig and slow moving stocks totalling S\$9.8 million. The land rig owned by the Group situated in Morocco was fully written down as the valuation could not be reasonably valued by the valuer due to travel restrictions to inspect the asset and taking into account that the idle state of the land rig over the past couple of years, whilst the slow moving stocks were written down after assessing the age of the inventories and the potential usage in future years, taking into account the order books expected to be secured in the following years.

Finance costs increased by 183.9% or S\$4.51 million from S\$2.45 million in FY2019 to S\$6.96 million in FY2020 as the interests to the Group's borrowings and redeemable exchangeable bonds continue to be accrued.

Arising from the above, net loss after tax decreased by 18.4% or S\$5.90 million from S\$31.99 million in FY2019 to S\$26.09 million in FY2020.

For Q1FY2021, the Group remained to be loss-making with a reported net loss for the period of approximately S\$0.82 million.

6.2.2 Review of financial position of the Group

S\$'000	31-Mar-21 Unaudited
Current assets	
Cash and cash equivalents	2,794
Inventories	2,345
Trade receivables	18,798
Contract assets	2,258
Prepayments	35
Other receivables and deposits	735
	26,965
Non-current assets	
Property, plant and equipment	121
Intangible assets	818
	939
Total assets	27,904
Current liabilities	
Term loans	8,662
Trade payables	2,299
Contract liabilities	770
Other payables and accruals	31,067
Redeemable exchangeable bonds	7,156
	49,954
Non-current liabilities	
Deferred tax liabilities	-
	-
Total liabilities	49,954

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Equity attributable to owners of the Group	(21,984)
Non-controlling interests	(66)
Total equity	(22,050)
Number of shares (excluding treasury shares)	1,098,719,574
Net Asset Value ("NAV") attributable to Shareholders per Share (cents)	(2.01)

Source: Company's financial announcements

Major assets and liabilities

As at 31 March 2021, the assets of the Group totalling approximately S\$27.90 million comprised mainly: (i) trade receivables of S\$18.80 million; (ii) contract assets of S\$2.26 million; (iii) cash and cash equivalents of S\$2.79 million; and (iv) inventories of S\$2.35 million, representing 67.4%, 8.1%, 10.0% and 8.4% of the Group's total assets respectively. A contract asset is recognized when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognized when the Group has not yet performed under the contract but has received advance payment from the customer.

As at 31 March 2021, the liabilities of the Group totalling approximately S\$49.95 million comprised mainly: (i) other payables and accruals of S\$31.07 million; (ii) term loans of S\$8.66 million; (iii) redeemable exchangeable bonds of S\$7.16 million; and (iv) trade payables of S\$2.30 million, representing 62.2%, 17.3%, 14.3% and 4.6% of the Group's total liabilities respectively.

As at 31 March 2021, the unaudited NAV of the Group attributable to owners of the Group is approximately a deficit of S\$21.98 million (equivalent to a net liability per Share of around S\$0.0201 based on the existing issued share capital of approximately 1.099 million shares).

As at 31 March 2021, the Group had net working capital deficit amounting to S\$22.99 million. In this regard, we note also that the Company's auditors had issued a disclaimer of opinion in the Independent Auditor's Report in respect of FY2020, the basis of which is reproduced in italics below:

"Basis for Disclaimer of Opinion

The Group incurred a net loss after tax of \$26,088,085 during the financial year ended 31 December 2020 and as at that date, the Group's and the Company's current liabilities exceeded its current assets by \$21,659,153 and \$20,645,958 respectively. As at 31 December 2020, the Group's total borrowings amounting to \$15,817,296 were in default and were classified as current liabilities, and exceeded its cash and bank balances of \$2,558,604 as at 31 December 2020. Additionally, as disclosed in Note 2.1 to the financial statements, the finalization of the proposed scheme of arrangement, which have been approved by the High Court, and the conditional share placement of \$2,000,000 in new ordinary shares and loan agreement for an interest-free loan of \$1,000,000 with two potential investors to the Company are subject to various conditions, amongst others, the approval of shareholders at an extraordinary general meeting and the receipt of the said funding. 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 as the outcome of the proposed Scheme and other mitigation plans are yet to be concluded satisfactorily as at the date of these financial statements and is inherently uncertain.

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The carrying values of the assets as recorded on the balance sheets of the Group and the Company as at 31 December 2020 have been determined based on their continuation as going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were prepared on a realisation basis, the carrying values of assets and liabilities may be materially different from that currently recorded in the balance sheets. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their 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 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.”

6.3 Assessment of the terms of the Proposed Placement

6.3.1 Assessment of Placement Price vis-à-vis the historical trading performance of the Shares

Trading of the Shares of the Company was halted on 7 June 2019 (“**Trading Halt Date**”) and subsequently suspended with effect from 14 June 2019. Accordingly, we are of the view that it will not be meaningful to perform an assessment to compare the Placement Price against the historical traded prices of the Shares in view of the prolonged trading suspension since June 2019 and the deterioration in the financial condition of the Group (which is now in a net liabilities position based on the latest announced financial statements for the latest quarter ended 31 March 2021. As at the Latest Practicable Date, the Shares remain suspended.

6.3.2 Comparison with valuation ratios of selected listed companies whose business is broadly comparable with the Company

In considering what may be regarded as a reasonable range of valuation for the purposes of assessing the Placement Price of the Proposed Placement, we have referred to selected companies listed and traded on the SGX-ST which business operations are broadly comparable with those of the Company to give an indication of the current market expectations with regard to the perceived valuation of these businesses. We have, in consultation with the Management, used the following companies which are principally engaged in the business of providing products and services to the offshore and marine sector (collectively, the “**Comparable Companies**”).

We wish to highlight that the Comparable Companies are not exhaustive and there is no listed company or group which may be considered identical to the Company in terms of, *inter alia*, business activities, size and scale of operations, risk profile, geographical spread, operating and financial leverage, accounting policies, adherence to accounting standards, tax factors, track record and future prospects. In addition, each of the Comparable Companies may engage in other separate business activities which are not related to the principal business of the Company. As such, any comparison merely serves as an illustrative guide to Shareholders.

Details on the Comparable Companies, including their business descriptions and selected key financial and valuation statistics, are set out below:

Company	Business description (as extracted from Bloomberg)	Market Capitalisation as at the LPD (S\$ million)
CH Offshore Ltd	CH Offshore Ltd. (“ CHO ”) provides marine support services. The Company offers towing, anchor-handling, dry bulk cargoes, emergency response, rescue, fire-fighting, and field support services. CHO serves customers worldwide.	35.2
Kim Heng Ltd	Kim Heng Ltd operates as an investment holding company. The Company, through its subsidiaries, provides offshore rig mover and marine support services which includes construction, fabrication works, installation, afloat repairs, refurbishment, and maintenance for drilling rigs and vessels, offshore production modules, systems, and platforms.	55.2

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Company	Business description (as extracted from Bloomberg)	Market Capitalisation as at the LPD (S\$ million)
Teho International Inc Ltd	Teho International Inc Ltd is a global, diversified holding company with businesses in the marine, offshore oil and gas, and real estate industries. The Company offers a comprehensive range of equipment and supplies in rigging and mooring, engineering, and water treatment. Teho International Inc also engages in property development, services, and investment in the real estate industry.	10.8
AMOS Group Ltd	AMOS Group Limited is a Singapore-based multi-disciplinary specialist provider and manufacturer of rigging and lifting solutions to the global offshore oil and gas industry. The Company also provides engineering services that include the design, fabrication, testing, inspection, maintenance, and certification of rigging, mooring, and lifting equipment.	57.1

Source: Bloomberg L.P.

The valuation measures of the Comparable Companies are set out below:

Comparable Companies	Last Financial Year End	Historical EV/ EBITDA^{(1) (2)}	Historical P/E ^{(1) (2)}	P/NAV^{(1) (3)}
		(times)	(times)	(times)
CH Offshore Ltd	December	n.m. ⁽⁴⁾	n.m. ⁽⁴⁾	0.47
Kim Heng Ltd	December	94.0 ⁽⁵⁾	n.m. ⁽⁴⁾	1.07
Teho International Inc Ltd	June	6.8	4.7	0.73
AMOS Group Ltd	March	n.m. ⁽⁴⁾	n.m. ⁽⁴⁾	0.62
High		94.0	4.7	1.07
Low		6.8	4.7	0.47
Mean		6.8	4.7	0.72
Median		6.8	4.7	0.67
Group (implied by the Placement Price)⁽⁶⁾	December	n.m.⁽⁶⁾	n.m.⁽⁶⁾	n.m.⁽⁷⁾

Source: Bloomberg L.P., annual reports and/or announcements of the respective Comparable Companies and W Capital's computations

Notes:

- (1) Historical EV/EBITDA, P/E and P/NTA of the Comparable Companies were based on their respective closing prices as at the Latest Practicable Date.
- (2) Based on the earnings and EBITDA from the latest announced full year consolidated earnings of the respective Comparable Companies.
- (3) The P/NAV ratios of the Comparable Companies were based on their respective NAV values as set out in their latest available published financial statements as at the Latest Practicable Date.
- (4) Not meaningful as the respective Comparable Companies were loss-making and/or recorded negative EBITDA for their latest financial year.
- (5) Excluded from the computation of the mean and median multiple as a statistical outlier.
- (6) Not meaningful as the Group was loss-making and recorded negative EBITDA for the financial year ended 31 December 2020.
- (7) Not meaningful as the Group was in a net liabilities position as at 31 March 2021.

Based on the above, it would not be meaningful to compare the earning-based valuation multiples as the Group was loss-making and recorded negative EBITDA for the latest financial year ended 31 December 2020. Further, we note that the P/NAV ratios of the Comparable Companies is between 0.67 times and 1.07 times and in this regard, the valuation of the Group of approximately S\$0.092 million (as implied by the Placement Price multiplied by the existing issued share capital) is more favourable than the Comparable Companies in view of the net

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liabilities position of the Group with a deficit of approximately S\$21.98 million as at 31 March 2021.

In our evaluation of the Placement Price relative to the Group's NAV per Share, we have also considered whether there are any assets of the Group which may have a fair value that is materially different from that which is recorded in the unaudited balance sheet of the Group as at 31 March 2021 and which may have a material impact on the Group's NAV on a revalued basis. In this regard, the Directors and the Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief that:

- (a) other than those already provided for or disclosed in the Group's financial statements as at 31 March 2021, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date;
- (b) there are no material differences between the realisable value of the Group's assets and their respective book values as at 31 March 2021 which would have a material impact on the unaudited NAV of the Group; and
- (c) there are no material acquisitions and disposals of assets by the Group between 31 March 2021 and the Latest Practicable Date, and the Group does not have any immediate plans for any such material acquisition or disposal of assets, conversion of the use of its material assets or material changes in the nature of the Group's business.

Shareholders should note that there is no assurance that the assets of the Group may actually be realised or disposed of at their latest announced book values and that the Group's NAV does not necessarily reflect the value of the Group if the going concern assumption is not appropriate and/or if the assets are to be realised other than in the normal course of business.

6.3.3 Assessment of the Placement Price vis-à-vis comparable completed placement transactions involving whitewash resolutions

In reviewing the reasonableness of the Placement Price, we have also reviewed the announcements made and/or circulars issued by selected companies ("**Precedent Whitewash Companies**") pertaining to share placements involving whitewash resolutions on the SGX-ST website from 1 January 2017 to the Announcement Date for comparison (excluding companies under judicial management and instances of whitewash resolutions which resulted from companies issuing shares on a pro rata basis to all shareholders of a company i.e. a rights issue).

We wish to highlight that the circumstances of the Proposed Placement may be unique and different from the other share placements of the Precedent Whitewash Companies (the "**Precedent Whitewash Transactions**") for reasons such as, *inter alia*, size of consideration, differing corporate objectives, business activities and profile of the incoming investor(s). Accordingly, each of the Precedent Whitewash Transactions must be judged on its own commercial and financial merits and any comparison merely serves as an illustrative guide only. Further, it should be noted that the list of Precedent Whitewash Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information.

The table below summarises the premia/(discounts) represented by the issue price to (i) VWAP of the shares of the Precedent Whitewash Companies on the last trading day prior to the announcement and (ii) the then latest NAV (or RNAV) per Share of the Precedent Whitewash Companies.

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Announcement date	Precedent Whitewash Companies	Issue price (\$)	Premium/(discount) of issue price over/(to) VWAP on the last trading day prior to announcement (%)	Issue price/ NAV (or RNAV) per Share (times)
3 January 2017	SunMoon Food Company Limited	0.045	(53.7)	1.5
16 January 2017	SIIC Environment Holdings Ltd.	0.630	10.9	1.2
8 August 2017	AEI Corporation Ltd	0.800	35.6	0.5
23 October 2017	Gaylin Holdings Limited	0.050	(49.1)	0.2
29 March 2018	Ausgroup Limited	0.035	(25.4)	1.3
16 July 2018	Atlantic Navigation Holdings (Singapore) Limited	0.1348	10.5	0.6
18 October 2018	Hyflux Ltd	0.034	(83.8)	n.m. ⁽²⁾
28 December 2018	LionGold Corp Ltd	0.001	0.0	0.8
27 February 2019	Sitra Holdings (International) Limited	0.011	21.9	0.8
Mean			(14.8)%	0.8
Median			(0.0)%	0.8
Maximum			35.6%	1.5
Minimum			(83.8)%	0.2
The Company (as implied by Illustrative Unconsolidated Placement Price)		0.00008369	(97.9)%⁽¹⁾	n.m.⁽²⁾

Notes:

(1) Based on the last traded share price of S\$0.004 on the Last Trading Day prior to the Trading Halt Date. As mentioned under Section 5.3.1 of this IFA Letter, we are of the view that it is not meaningful to compare the Placement Price against the last traded share price in view of the prolonged suspension since June 2019 and the deterioration of the financial condition of the Group since then.

(2) "n.m." denotes not meaningful as the Group is in a net liabilities position.

Based on the above, we note that save for Hyflux Ltd, all the Precedent Whitewash Companies are in positive net asset value position, with mean and median issue price to NAV per share of 0.8 times. As the Group is in net liability position of S\$0.0201 per share as at 31 March 2021, the Placement Price as compared to the net liability position of the Group is more favourable as compared to the Precedent Whitewash Transactions.

6.4 Dilution impact of the Proposed Placement on the Independent Shareholders

Paragraph 5.5 of the Circular sets out, *inter alia*, the changes in the shareholding interests of Shareholders in the Company after the Proposed Placement and the Proposed Allotment and Issue of Conversion Shares. Shareholders should note that upon the completion of the Proposed Placement, the shareholdings of the existing Shareholders (other than NYC) will be diluted significantly as illustrated below:

	As at the Latest Practicable Date		On completion of the Proposed Share Consolidation, the Share Issuance Completion and assuming all the Adjusted Warrants are exercised by the existing Warrant holders in full (including all Adjusted Warrants held by BOC and/or its concert parties)	
	Total Shareholdings	Total Percentage Interest (%) ⁽¹⁾	Total Shareholdings	Total Percentage Interest (%) ⁽²⁾
Directors				
Andy Lim ⁽⁴⁾	273,043,120	24.85	6,240,985	1.11
Ng Yeau Chong ⁽⁵⁾	1,540,000	0.14	36,859,521 ⁽³⁾	6.53 ⁽³⁾

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Lee Suan Hiang ⁽⁵⁾	3,570,000	0.32	81,600	0.01
Tan Wee Peng Kelvin ("Kelvin Tan") ⁽⁵⁾	2,000,000	0.18	46,500	0.01
Phua Siok Gek Cynthia	-	-	-	-
Substantial Shareholders (other than Directors)				
BOC	-	-	454,166,630 ⁽³⁾	80.48 ⁽³⁾
Daniel Lin Wei ⁽⁵⁾	840,000	0.08	454,185,830 ⁽³⁾⁽⁶⁾	80.48 ⁽³⁾⁽⁶⁾
Viking Engineering Pte Ltd	85,989,200	7.83	1,719,784	0.30
Tan Boy Tee	80,000,000	7.28	1,600,000	0.28
Public Shareholders⁽⁷⁾				
Scheme Creditors	50,253,656	4.57	50,447,448	8.94
Other Shareholders	601,483,598	54.74	13,175,747	2.33

Notes:

- (1) Based on the existing Share capital of 1,098,719,574 Shares (excluding treasury shares).
- (2) Based on enlarged issued and paid-up share capital of the Company comprising 564,357,415 Shares (excluding treasury shares) after the completion of the Proposed Share Consolidation, the Share Issuance Completion and assuming that all the Adjusted Warrants are exercised by the existing Warranholders in full (including all Adjusted Warrants held by BOC and/or its concert parties) ("**Enlarged Share Capital**").
- (3) For the avoidance of doubt, Shareholders are to take note that even after the Share Issuance Completion (regardless of whether the Proposed Share Consolidation is approved), further new Placement Shares shall continue to be allotted and issued to the Subscribers from time to time to maintain the said collectively Agreed Shareholding Proportion of 87.0% shareholding in the Company, as more particularly explained in Paragraph 2.3 of the Circular.
- (4) Andy Lim has a direct interest in 243,643,120 Shares, of which 243,106,880 Shares are registered in his own name and 536,240 shares are registered and held through Phillip Securities Pte Ltd. Andy Lim is further deemed interested in the 29,400,000 Shares held by Associated Leisure International Pte Ltd whereby he holds a 99% shareholding interest. In addition, Andy Lim also has an interest (direct & deemed) in 39,006,160 Warrants as at the Latest Practicable Date.
- (5) In addition, NYC, Lee Suan Hiang, Kelvin Tan and Daniel Lin Wei has an interest in 220,000 Warrants, 510,000 Warrants, 325,000 Warrants and 120,000 Warrants respectively, as at the Latest Practicable Date.
- (6) Daniel Lin Wei is deemed interested in the 454,961,586 shares held by BOC which is wholly-owned by him.
- (7) "Public Shareholders" refer to Shareholders other than (a) Directors, CEO, substantial shareholders or controlling shareholders of the Company or its subsidiaries, and associates of the persons mentioned in (a).

Under the Proposed Placement, an aggregate of up to 490,990,951 Placement Shares ("**Illustrative Consolidated Placement Shares Issue**") shall potentially be issued to the Subscribers (being 454,166,630 Placement Shares issued to BOC and 36,824,321 Placement Shares issued to NYC).

Based on the illustration above, we note that upon the issuance of the Placement Shares, the Subscribers will collectively own approximately 87.0% of the issued Shares in the enlarged share capital of the Company and the interest of the existing Public Shareholders will be diluted from approximately 59.3% to 11.3%.

Independent Shareholders should note that approval of the Proposed Whitewash Resolution and the Completion of the Proposed Placement will result in a transfer of controlling interest in the Company to BOC (without a mandatory general offer). **In addition, Independent Shareholders should note that the Proposed Whitewash Resolution, if approved at the forthcoming EGM, will result in the Independent Shareholders waiving their rights to receive a general offer from BOC at the highest price paid by BOC and its concert parties for the Shares in the past six (6) months preceding the commencement of the offer. Upon the Share Issuance Completion, the issue of the Placement Shares would result in BOC holding**

Shares carrying over 49.0% of the voting rights of the Company, and that BOC and its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.

6.5 Other relevant considerations which may have a bearing on our assessment of the Proposed Placement and the Proposed Whitewash Resolution

6.5.1 Financial effects of the Proposed Transactions

Details on the pro-forma financial effects of the Proposed Transactions and the assumptions adopted are set out in Paragraph 10 of the Circular and are based on the Group's financial results for FY2020. The pro-forma financial effects are strictly for illustrative purposes only and do not reflect the actual financial results or the future financial performance and condition of the Group after the completion of, *inter alia*, the Proposed Placement.

In summary, we note the following in respect of the pro-forma financial effects based on the Company's latest financial year ended i.e. FY2020:

- (a) the number of issued Shares and the issued share capital of the Company will increase to 564,357,415 Consolidated Shares on the assumptions that (i) 490,990,951 Placement Shares are issued by the Company to the Subscribers pursuant to the Proposed Placement on the basis of the Illustrative Consolidated Placement Shares Issue, (ii) 49,442,375 Conversion Shares are issued by the Company to the Scheme Creditors pursuant to the Proposed Allotment and Issue of Conversion Shares as part of the Scheme, (iii) there will be no fractions of Consolidated Shares arising from the Proposed Share Consolidation, and (iv) all Adjusted Warrants have been converted into New Consolidated Shares;
- (b) the NTA of the Group will increase from a net liability position of approximately S\$21.5 million to positive NTA position of approximately S\$4.0 million arising from the debt-to-equity conversion in accordance with the Scheme and as the Proposed Placement will raise fresh equity capital for the Company;
- (c) the Loss per Share ("LPS") for FY2020 would decrease from approximately 2.37 cents to approximately 0.49 cents as a result of a combination of: (i) recognition of the gains from the debt restructuring pursuant to the Scheme; and (ii) the reduction in the number of shares as a result of the Proposed Share Consolidation, which is partially offset by the issuance of shares from the Scheme and the Proposed Placement; and
- (d) the net gearing ratio of the Group would be reduced as a result of the Proposed Transactions from approximately 885% to 0%.

6.5.2 Financial performance and financial condition of the Group

As set out in Section 6.2 of this IFA Letter, the Group has been loss-making for the last 4 financial years, including the most recently completed financial year ended 31 December 2020. As at 31 March 2021, the unaudited NAV of the Group attributable to owners of the Company is approximately a deficit of S\$21.98 million and the Group had net working capital deficit amounting to S\$22.99 million.

On 7 May 2019, the Company announced that it was served with an application to the High Court of the Republic of Singapore ("High Court") for a winding up order to be made against the Company (the "Winding Up Application"). Subsequently, the Company and its wholly-owned subsidiary, Viking Asset Management Pte. Ltd. ("VAM") 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. On 28 May 2021, the High Court granted an extension of the existing moratoria on the commencement, continuation or enforcement of proceedings against the Company and VAM until the lodgement of the Order of Court with the Accounting and Corporate Regulatory Authority (the "Scheme Commencement Date"), and the Scheme

entered into force on the Scheme Commencement Date. The Company and VAM have used the period of moratorium protection to restructure the operations of the Group, resolve creditor liabilities and seek out investment financing with which to recapitalise the Group's operations and fund the present Scheme. Accordingly, if the Scheme is not passed and the Company is not able to successfully restructure its liabilities, the alternative for all creditors would be insolvent liquidation.

6.5.3 No funding alternatives to the Proposed Placement

We note that the Company will be able to raise net proceeds of approximately S\$2.0 million from the Proposed Placement and another S\$1.0 million from the interest-free Shareholders' Loans and that the Proposed Transactions are intended to provide funds to the Company to, amongst others, facilitate the restructuring of its debts and liabilities as part of the Scheme with a view to rehabilitating the financial health of the Company. Accordingly, and if the Proposed Whitewash Resolution is not approved, the Company will not be able to raise a reasonable amount of funds (or at all) to undertake the Scheme (which is conditional on the Proposed Placement, and *vice versa*).

We understand from the Directors that they had considered other funding alternatives, including undertaking of rights issue, before deciding to proceed with the Proposed Transactions, but faced difficulties with materialising these alternatives due to the current financial condition of the Company. In this regard, we note that prior to the Proposed Placement, the Company had two failed attempts to raise funds via placement to facilitate its debt restructuring: -

- (a) the Company had on 10 January 2020 entered into a conditional placement agreement with Ruddin Advisory Limited (an independent party which is not related to any of the Directors or Substantial Shareholders of the Company) and BOC in relation to a proposed placement of shares in the Company for a cash consideration of S\$4.0 million and S\$1.0 million respectively, but the proposed placement had lapsed as the conditions precedent were not satisfied as of the longstop date of 9 July 2020; and
- (b) the Company had on 13 November 2020 entered into a conditional placement agreement with Mr. Li Suet Man (an independent party which is not related to any of the Directors or Substantial Shareholders of the Company), BOC and NYC in relation to a proposed placement of shares in the Company for a cash consideration of S\$3.0 million, S\$0.7 million and S\$0.3 million respectively. The parties to the placement agreement, had on 14 January 2021, mutually agreed not to proceed with the placement after the deadline set by Mr. Li Suet Man for agreement by the Company's key creditors to the indicative terms of the proposed creditors' scheme lapsed with no agreement being reached.

The Directors have confirmed that whilst efforts have been made by the Directors and Management to source for alternative funding offers with better terms, as at the Latest Practicable Date, they are not aware of any alternative offers, which are comparable in nature, size and scope to the Proposed Transactions and which will provide for the injection of cash proceeds of such quantum into the Group, allowing the Group to improve its working capital position and strengthen its capital base.

6.5.4 Conditionality of the Proposed Loan on the Proposed Placement

The grant by each of BOC and NYC to the Company of the secured interest-free shareholder's loans of S\$925,000 and S\$75,000 respectively, is conditional upon completion of the Proposed Placement. In the event that the Proposed Placement is not approved by the Shareholders, the Proposed Shareholders' Loans will also not be proceeded with.

7. OPINION

In arriving at our opinion in respect of the Proposed Placement and the Proposed Whitewash Resolution, we have taken into account, *inter alia*, the following salient factors which we consider to be pertinent to our assessment of the Proposed Placement and the Proposed Whitewash Resolution:

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In assessing the fairness of the terms of the Proposed Placement

- (a) In respect of the historical trading performance of the Shares, we note that the historical trading liquidity of the Shares have been low and the Shares have been suspended since 14 June 2019. Accordingly, any comparison of the Placement Price to the historical trading performance of the Shares will not be meaningful in this case;
- (b) The valuation of the Group as implied by the Placement Price is more favourable when compared to the P/NAV ratios of the Comparable Companies, in view of the Group's net liabilities position as at 31 March 2021 and particularly when considered in the context of the existence of material uncertainties which cast significant doubt on the abilities of the Group and the Company to continue as going concerns as highlighted in Independent Auditor's Report for FY2020 and which necessitates the Scheme and the Proposed Placement; and
- (c) The analysis of selected financial performance of the Company, details of which are set out in Section 6.2 of this IFA Letter. In particular, we note that the Group has been loss-making for the last 4 financial years and Group had net working deficit amounting to approximately S\$22.99 million as at 31 March 2021.

In assessing the reasonableness of the terms of the Proposed Placement

- (a) The rationale for the Proposed Transactions and the intended use of proceeds;
- (b) The valuation of the Group as implied by the Placement Price is more favourable when compared to the mean and median ratios of the Precedent Whitewash Transactions, in view of the net liabilities position of the Group as at 31 March 2021; and
- (c) The other relevant considerations, details of which are set out in Section 6.5 of this IFA Letter. In particular, we note that whilst efforts have been made by the Directors and Management to source for alternative funding offers with better terms, as at the Latest Practicable Date, they are not aware of any alternative offers, which are comparable in nature, size and scope to the Proposed Transactions and which will provide for the injection of cash proceeds of such quantum into the Group, allowing the Group to improve its working capital position and strengthen its capital base and that in addition to the proceeds from the Placement, the Subscribers will also be extending an interest-free shareholders' loan amounting to S\$1.0 million in aggregate to the Company for a period of 12 months after the date of Completion.

Having regard to the foregoing considerations set out in this IFA Letter and information available to us as at the Latest Practicable Date, we are of the view that:

- (i) **the Proposed Placement, being an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders;**
- (ii) **the terms of the Proposed Placement, being the transaction that is the subject of the Proposed Whitewash Resolution, are fair and reasonable; and**
- (iii) **the Proposed Whitewash Resolution, being one of the condition precedent of the Proposed Placement, is not prejudicial to the interest of the Independent Shareholders.**

Accordingly, we advise the Recommending Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Whitewash Resolution.

Our opinion is addressed to the Recommending Directors in connection with their consideration of the Proposed Interested Person Transactions and the Proposed Whitewash Resolution and their advice to the Independent Shareholders arising thereof. The recommendations made by the Recommending Directors to the Shareholders shall remain the responsibility of the Recommending Directors.

APPENDIX A

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors, nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent in each specific case, except for the purposes of the forthcoming EGM and for the purpose of the Proposed Transactions.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully,

For and on behalf of
W Capital Markets Pte. Ltd.

Foo Say Nam
Partner
Head of Advisory

Sheila Ong
Senior Vice President
Corporate Finance