



Ezion Holdings Limited

(Company No.: 199904364E)

Third Quarter Financial Statement And Dividend Announcement For The Nine Months Ended 30 September 2019

PART1-INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1 (a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (Third Quarter)		Incr/ (Decr)	Group (Third Quarter)		Incr/ (Decr)
	3 months ended			9 months ended		
	30.09.2019	30.09.2018	%	30.09.2019	30.09.2018	%
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	24,727	28,092	(12.0)	77,133	88,973	(13.3)
Cost of sales and servicing	(22,807)	(22,963)	(0.7)	(72,725)	(79,379)	(8.4)
Gross profit	1,920	5,129	(62.6)	4,408	9,594	(54.1)
Other income, net	735	25	N/M	2,379	11,424	N/M
Administrative expenses	(3,571)	(3,705)	(3.6)	(10,433)	(11,011)	(5.2)
Other operating expenses	(59,992)	(1,950)	N/M	(392,083)	(25,930)	N/M
Results from operating activities	(60,908)	(501)	N/M	(395,729)	(15,923)	N/M
Finance income	2,177	1,540	41.4	7,018	3,369	N/M
Finance costs	(13,613)	(7,875)	72.9	(39,585)	(23,724)	66.9
Change in fair value of financial instruments	1,287	474	N/M	(2,296)	91,593	N/M
Net finance (costs)/income	(10,149)	(5,861)	73.2	(34,863)	71,238	N/M
Share of results of associates and jointly controlled entities (net of tax)	933	(2,144)	N/M	(9,924)	(6,594)	50.5
Results before income tax	(70,124)	(8,506)	N/M	(440,516)	48,721	N/M
Income tax expense	(921)	(738)	24.8	(7,295)	(2,229)	N/M
Results after income tax	(71,045)	(9,244)	N/M	(447,811)	46,492	N/M

Results after income tax is arrived at after crediting/(charging) the following items:-

	Group (Third Quarter)		Incr/ (Decr)	Group (Third Quarter)		Incr/ (Decr)
	3 months ended			9 months ended		
	30.09.2019	30.09.2018	%	30.09.2019	30.09.2018	%
	US\$'000	US\$'000		US\$'000	US\$'000	
Other income ¹	2,912	1,565	86.1	9,397	14,793	(36.5)
Interest on borrowings	(13,613)	(7,875)	72.9	(39,585)	(23,724)	66.9
Depreciation of plant and equipment	(11,995)	(12,071)	(0.6)	(36,440)	(38,802)	(6.1)
Foreign exchange gain/(loss), net	878	25	N/M	(358)	9,700	N/M
Gain/(Loss) on disposal of asset held for sale/plant and equipment, net	550	(294)	N/M	(508)	1,063	N/M
Loss on derecognition of an associate	-	-	N/M	(6,739)	-	N/M
Loss allowances for ECLs on financial guarantees to joint ventures	(8,088)	-	N/M	(20,320)	-	N/M
Change in fair value of financial instruments	1,287	474	171.5	(2,296)	91,593	N/M
(Impairment loss)/Reversal of impairment loss on plant and equipment, trade and other receivables, investment in associates and investment in joint ventures	(48,984)	-	N/M	(352,782)	163	N/M

¹ Includes interest income

N/M - not meaningful

See note 8 for more explanation on the income statement review

1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.09.2019 US\$'000	31.12.2018 US\$'000	30.09.2019 US\$'000	31.12.2018 US\$'000
Non-current assets				
Plant and equipment	574,779	919,069	904	173
Subsidiaries	-	-	80,783	95,886
Loans to subsidiaries	-	-	229,206	372,891
Joint ventures	4,503	7,011	88	88
Loans to joint ventures	67,277	88,877	25,733	25,501
Associates	-	16,943	-	14,513
Loan to associates	-	21,287	-	21,093
Other assets	22,154	30,385	21,774	24,266
	668,713	1,083,572	358,488	554,411
Current assets				
Trade receivables	73,837	69,263	8,595	7,848
Other current assets	83,583	138,075	19,031	17,571
Asset held for sale	64,195	2,162	-	-
Cash and cash equivalents	43,421	49,029	7,945	9,237
	265,036	258,529	35,571	34,656
Total assets	933,749	1,342,101	394,059	589,067
Equity				
Share capital	934,656	930,509	934,656	930,509
Perpetual securities	14,938	14,938	14,938	14,938
Redeemable exchangeable preference shares	23,464	23,464	-	-
Reserves	(4,114)	3,140	(6,629)	(767)
Accumulated losses	(1,674,291)	(1,226,803)	(1,955,153)	(1,735,448)
Total equity	(705,347)	(254,752)	(1,012,188)	(790,768)
Non-current liabilities				
Financial liabilities	1,308,490	1,276,064	843,905	822,735
Debt securities	123,660	118,701	123,660	118,701
Other payables	25,560	29,760	80,846	85,046
	1,457,710	1,424,525	1,048,411	1,026,482
Current liabilities				
Trade payables	78,899	72,333	72	69
Other payables	73,937	77,572	348,340	340,328
Financial liabilities	12,424	12,246	9,424	9,246
Provision for taxation	16,126	10,177	-	3,710
	181,386	172,328	357,836	353,353
Total liabilities	1,639,096	1,596,853	1,406,247	1,379,835
Total equity and liabilities	933,749	1,342,101	394,059	589,067

See note 8 for more explanation on the statement of financial position review

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30.09.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
3,601	8,823	3,611	8,635

Amount repayable after one year

As at 30.09.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
1,308,490	123,660	1,276,064	118,701

Details of any collateral

The Group's vessels are pledged to financial institutions as security for the term loans.

Included in cash and cash equivalents an amount of US\$30,774,000 (31 December 2018: US\$32,171,000) being restricted or earmarked by the banks for various facilities granted.

1(b)(iii) Statement of comprehensive income for three months ended 30 September 2019

	Group (Third Quarter) 3 months ended			Incr/ (Decr) %	Group (Third Quarter) 9 months ended		
	30.09.2019 US\$'000	30.09.2018 US\$'000			30.09.2019 US\$'000	30.09.2018 US\$'000	Incr/ (Decr) %
Results after income tax	(71,045)	(9,244)	N/M	(447,811)	46,492	N/M	
Other comprehensive income							
<u>Items that may be reclassified subsequently to profit or loss:</u>							
Translation differences relating to financial statements of foreign operations	1,120	1,025	9.3	1,144	1,929	(40.7)	
Change in fair value of equity investments at FVOCI	(3,418)	-	N/M	(5,149)	-	N/M	
Exchange differences on monetary items forming part of net investment in foreign operations	(2,056)	-	N/M	(2,536)	-	N/M	
Effective portion of changes in fair value of cash flow hedges	-	158	N/M	(713)	6	N/M	
Other comprehensive income for the period	(4,354)	1,183	N/M	(7,254)	1,935	N/M	
Total comprehensive income for the period	(75,399)	(8,061)	N/M	(455,065)	48,427	N/M	
Attributable to:							
Owners of the Company	(75,399)	(8,061)	N/M	(455,065)	48,427	N/M	

Note :

There are no tax effects relating to each component of other comprehensive income for the period.

N/M - not meaningful

1(c) **Statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group (Third Quarter) 3 months ended		Group (Third Quarter) 9 months ended	
	30.09.2019 US\$'000	30.09.2018 US\$'000	30.09.2019 US\$'000	30.09.2018 US\$'000
Cash flows from operating activities				
Results after income tax	(71,045)	(9,244)	(447,811)	46,492
Adjustments for:				
Income tax expense	921	738	7,295	2,229
Depreciation expense	11,995	12,071	36,440	38,802
Change in fair value of financial instruments	(1,287)	(474)	2,296	(91,593)
(Gain)/Loss on disposal of asset held for sale/plant and equipment	(550)	294	508	(1,063)
Foreign exchange (gain)/loss, net	(878)	(25)	358	(9,700)
Finance income	(2,177)	(1,540)	(7,018)	(3,369)
Finance costs	13,613	7,875	39,585	23,724
Impairment loss/(Reversal of impairment loss) on plant and equipment, trade and other receivables, investment in associates and investment in joint ventures	48,984	-	352,782	(163)
Loss on derecognition of an associate	-	-	6,739	-
Loss allowances for ECLs on financial guarantees to joint ventures	8,088	-	20,320	-
Equity-settled share-based payment transactions	107	145	323	438
Share of results of associates and jointly controlled entities	(933)	2,144	9,924	6,594
Operating cash flow before working capital changes	6,838	11,984	21,741	12,391
Changes in working capital:				
Trade receivables and other assets	(3,655)	935	(4,840)	14,344
Trade and other payables	618	(6,735)	3,232	12,044
Cash generated from operating activities	3,801	6,184	20,133	38,779
Income tax paid	(509)	(611)	(1,346)	(2,241)
Net cash generated from/(used in) operating activities	3,292	5,573	18,787	36,538
Cash flows from investing activities				
Purchase of plant and equipment	(3,155)	(2,675)	(10,461)	(14,132)
Proceeds from disposal of asset held for sale/plant and equipment	1,994	-	6,022	8,378
Investments in joint ventures	-	(124,168)	-	(125,050)
Interest received	-	1,275	-	2,139
Net cash used in investing activities	(1,161)	(125,568)	(4,439)	(128,665)
Cash flows from financing activities				
Proceeds from borrowings	13,292	138,753	13,292	232,113
Repayment of borrowings	(4,150)	(7,605)	(11,935)	(131,417)
Net proceeds from issuance of ordinary shares	-	-	-	15,255
Interest paid	(14,800)	(5,713)	(20,359)	(14,218)
Net cash used in financing activities	(5,658)	125,435	(19,002)	101,733
Net (decrease)/increase in cash and cash equivalents	(3,527)	5,440	(4,654)	9,606
Cash and cash equivalents at beginning of the period	47,627	51,333	49,029	46,469
Effect of exchange rate fluctuations	(679)	916	(954)	1,614
Cash and cash equivalents at end of the period	43,421	57,689	43,421	57,689

See note 8 for explanation on the statement of cash flows review

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Perpetual securities	Redeemable exchangeable preference shares	Treasury shares	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
At 1 January 2018	648,940	116,499	23,464	(1,480)	3,788	951	-	(895,156)	(102,994)
Total comprehensive income for the period	-	-	-	-	1,929	6	-	46,492	48,427
Transactions with owners, recognised directly in equity									
Issue of shares	144,408	-	-	-	-	-	-	-	144,408
Redemption of perpetual securities	-	(26,708)	-	-	-	-	-	-	(26,708)
Issue of shares from conversion of perpetual securities	74,853	(74,853)	-	-	-	-	-	-	-
Accrued perpetual securities distributions	-	-	-	-	-	-	-	860	860
Share-based payment transactions	-	-	-	-	-	-	-	438	438
At 30 September 2018	868,201	14,938	23,464	(1,480)	5,717	957	-	(847,366)	64,431
At 1 January 2019	930,509	14,938	23,464	(1,480)	3,907	713	-	(1,226,803)	(254,752)
Total comprehensive income for the period	-	-	-	-	(1,392)	(713)	(5,149)	(447,811)	(455,065)
Transactions with owners, recognised directly in equity									
Issue of shares	4,147	-	-	-	-	-	-	-	4,147
Share-based payment transactions	-	-	-	-	-	-	-	323	323
At 30 September 2019	934,656	14,938	23,464	(1,480)	2,515	-	(5,149)	(1,674,291)	(705,347)

	Share capital	Perpetual securities	Treasury shares	Hedging reserve	Fair value reserve	Accumulated losses	Total equity	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Company								
At 1 January 2018		648,940	116,499	(1,480)	951	-	(455,058)	309,852
Total comprehensive income for the period		-	-	-	6	-	74,256	74,262
Transactions with owners, recognised directly in equity								
Issue of shares		144,408	-	-	-	-	-	144,408
Issue of perpetual securities		-	(26,708)	-	-	-	-	(26,708)
Issue of shares from conversion of perpetual securities		74,853	(74,853)	-	-	-	-	-
Accrued perpetual securities distributions		-	-	-	-	-	860	860
Share-based payment transactions		-	-	-	-	-	438	438
At 30 September 2018		868,201	14,938	(1,480)	957	-	(379,504)	503,112
At 1 January 2019		930,509	14,938	(1,480)	713	-	(1,735,448)	(790,768)
Total comprehensive income for the period		-	-	-	(713)	(5,149)	(220,028)	(225,890)
Transactions with owners, recognised directly in equity								
Issue of shares		4,147	-	-	-	-	-	4,147
Share-based payment transactions		-	-	-	-	-	323	323
At 30 September 2019		934,656	14,938	(1,480)	-	(5,149)	(1,955,153)	(1,012,188)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares and subsidiary holdings, if any, against the percentage of aggregate number of treasury shares and subsidiary holdings against the total number of issued shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the first quarter of 2019, the Company had issued 20,223,469 new shares pursuant to the exercise of a call option at the issue price of S\$0.2763 per share by a private subscriber. Considerations from these new shares amounting to approximately US\$4.1 million were used for settlement of outstanding amounts due from the Company to the private subscriber.

During the second quarter of 2019, 804,182 ordinary shares of the Company that were previously issued pursuant to implementation of the refinancing exercise were cancelled due to the rectification of a bond conversion.

The above newly issued shares rank pari passu in all respects with the previously issued shares.

As at 30 September 2019, the share capital less treasury shares of the Company was 3,727,202,077 ordinary shares (3,730,386,077 issued ordinary shares less 3,184,000 treasury shares). As at 30 September 2018, the share capital less treasury shares of the Company was 3,651,819,648 ordinary shares (3,655,003,648 issued ordinary shares less 3,184,000 treasury shares).

As at 30 September 2019, the Company had S\$138.1 million of outstanding convertible bonds and perpetual securities available for conversion into 499,638,075 ordinary shares of the Company (the conversion price is reset every six months). In addition, there were 300 redeemable exchangeable preference shares in a subsidiary available for exchange to 19,787,830 ordinary shares of the Company. As at 30 September 2018, the Company had S\$139.2 million of outstanding convertible bonds and perpetual securities available for conversion into 503,800,217 ordinary shares of the Company (the conversion price is reset every six months). In addition, there were 300 redeemable exchangeable preference shares in a subsidiary available for exchange to 19,787,830 ordinary shares of the Company.

There were no subsidiary holdings as at 30 September 2019 and 30 September 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 September 2019, the issued and paid up share capital excluding treasury shares of the Company comprised 3,727,202,077 (31 December 2018: 3,707,782,790) ordinary shares.

As at 30 September 2019, subsidiary of the Company has 300 (31 December 2018: 300) redeemable exchangeable preference shares outstanding.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the

The movement of treasury shares are as follows:
As at 1 January 2019 = 3,184,000 shares
Purchase of treasury shares during the period = Nil
Transfer of treasury shares during the period = Nil
As at 30 September 2019 = 3,184,000 shares

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or

The figures have not been audited or reviewed by the Company's auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed under note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2018.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2018, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 January 2019 as follows:

SFRS(I) 16 *Leases*

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Long-term Interests in Associates and Joint Ventures (Amendments to SFRS(I) 1-28)

Prepayment Features with Negative Compensation (Amendments to SFRS(I) 9)

Previously Held Interest in a Joint Operation (Amendments to SFRS(I) 3 and 11)

Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to SFRS(I)

Borrowing Costs Eligible for Capitalisation (Amendments to SFRS(I) 1-23)

Plan Amendment, Curtailment or Settlement (Amendments to SFRS(I) 1-19)

SFRS(I) 16 Leases

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases – Incentives and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of accumulated profits at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group and the Company as Lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments increment or inflation are included in the measurement of lease liabilities as at date of initial application. The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

The Group as Lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	Group (Third Quarter)		Group (Third Quarter)	
	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
(in US\$ cents)				
(a) Based on weighted average number	-1.91 cts	-0.3 cts	-12.02 cts	1.83 cts
(b) On a fully diluted basis	-1.91 cts	-0.3 cts	-12.02 cts	1.83 cts

Note :

Weighted average ordinary shares
for calculation of:

- Basic earnings per share	3,727,202,077	3,093,161,652	3,725,158,536	2,586,318,110
- Diluted earnings per share*	3,727,202,077	3,093,161,652	3,725,158,536	2,586,318,110

* As the period ended 30 September 2019 is in a loss position before fair value adjustments (non-operating item), share options and warrants were not included in the computation of the diluted earnings per share because these potential ordinary shares were anti-dilutive.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
(in US\$ cents)				
Net asset value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the year reported on	-18.92 cts	- 6.87 cts	-27.16 cts	-21.33 cts

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT REVIEW

3Q19 vs 3Q18

The Group's revenue for the three months ended 30 September 2019 ("3Q19") decreased by US\$3.4 million (12.0%) to US\$24.7 million as compared to the corresponding three months ended 30 September 2018 ("3Q18"). The decrease in revenue was mainly due to reduced utilisation and charter rates for the Group's jack-up rigs and tugs and barges in 3Q19.

The cost of sales and servicing for 3Q19 decreased by US\$0.2 million (0.7%) to US\$22.8 million as compared to 3Q18, mainly due to lower depreciation expenses on plant and equipment.

As a result of the above, the Group recorded a gross profit of US\$1.9 million in 3Q19 compared with a gross profit of US\$5.1 million in 3Q18.

The increase in other income in 3Q19 was mainly due to the foreign exchange gain recognised for the period.

Following the Group's 2Q19 results announcement on the Group's impairment assessment, the Group updated its impairment assessment in 3Q19 and recognised additional impairment of US\$49.0 million, the impairment losses comprise mainly impairment losses on plant and equipment, and trade and other receivables. In addition, the Group has recognised additional loss allowances for expected credit losses (ECL) on financial guarantees to a joint venture of US\$8.1 million in 3Q19. Accordingly, the other operating expenses in 3Q19 has increased from US\$2.0 million in 3Q18 to \$60.0 million in 3Q19.

Finance income has increased in 3Q19 mainly due to increase in interest income from loans to joint ventures.

Finance costs have increased in 3Q19 mainly due to amortisation of the fair value recognised on the Debt Securities and term loans during the period, which amounted to approximately US\$3.2 million (3Q18: Nil) and increase in effective interest rates on bank loans.

The Group has remeasured the fair value of financial liabilities that was designated as fair value through profit or loss and has recognised a fair value gain of US\$1.3 million in 3Q19 as compared to a fair value gain of US\$0.5 million in 3Q18.

The share of profit of associates and jointly controlled entities in 3Q19 was due to the profits generated from one of the Group's joint venture. Whereas in 3Q18, the share of losses of associates and jointly controlled entities was due to the operating losses generated from the Group's joint venture and associates.

The Group generated loss before income tax of US\$70.1 million in 3Q19 as a result of all the above.

Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore. Current period income tax expense of US\$0.9 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

9M19 vs 9M18

The Group's revenue for the nine months ended 30 September 2019 ("9M19") decreased by US\$11.8 million (13.3%) to US\$77.1 million as compared to the corresponding nine months ended 30 September 2018 ("9M18"). The decrease in revenue was mainly due to:

- (i) a decrease in utilisation rates of liftboats resulting from continued delays in re-deployment of the Group's assets. The delays were in turn caused by working capital constraints arising mainly from limited available financing options since lenders remain adverse to lending to our sector; and
- (ii) the systemic problem such as credit crunch faced by shipyards, equipment suppliers and service providers used by the Group. The tighter credit terms imposed by these vendors coupled with the inability of the Group to drawdown the required funds from its secured lenders in a timely manner has severely affected the Group's ability to operate, maintain and deploy its assets.

The cost of sales and servicing for 9M19 decreased by US\$6.7 million (8.4%) to US\$72.7 million as compared to 9M18, mainly due to lower depreciation expenses on plant and equipment, offset by higher maintenance costs for the Group's assets that were delayed in re-deployment.

As a result of the above, the Group recorded a gross profit of US\$4.4 million in 9M19 compared with US\$9.6 million in 9M18.

The decrease in other income in 9M19 was mainly due to the absence of foreign exchange gain that was recognised in 9M18.

Other operating expenses in 9M19 mainly comprise impairment losses on loans to associates, loans to joint ventures, plant and equipment, and trade and other receivables of US\$352.8 million, loss on derecognition of an associate of US\$6.7 million and loss allowances for ECL on financial guarantees to a joint venture of US\$20.3 million.

As compared to 9M18, other operating expenses mainly comprised restructuring costs incurred.

Finance income has increased in 9M19 mainly due to increase in interest income from loans to joint ventures.

Finance costs have increased in 9M19 mainly due to amortisation of the fair value recognised on the Debt Securities and term loans during the period, which amounted to approximately US\$10.1 million (9M18: Nil) and increase in effective interest rates on bank loans.

The Group has remeasured the fair value of financial liabilities that was designated as fair value through profit or loss and has recognised a fair value loss of US\$2.3 million in 9M19 as compared to a fair value gain of US\$91.6 million in 9M18.

The share of losses in 9M19 from associates and jointly controlled entities has increased mainly due to increase in operating losses from the Group's joint ventures and associates.

The Group generated loss before income tax of US\$440.5 million in 9M19 as a result of all the above.

Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore. Current period income tax expense of US\$7.3 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

STATEMENT OF FINANCIAL POSITION REVIEW

Non-current Assets

The Group's Non-current Assets amounted to US\$668.7 million as at 30 September 2019. The decrease in Non-current Assets was mainly due to impairment losses made on loans to associates, loans to joint ventures, and plant and equipment and reclassification of the Group's service rigs and offshore vessels to Asset held for sale. The decrease in investment in Associates was mainly due to the derecognition of an associate as Alpha Energy Holdings Limited is not longer deemed as associated company of the Group as the Group has ceased to have significant influence over Alpha Energy Holdings Limited.

Current Assets

The Group's Current Assets amounted to US\$265.0 million as at 30 September 2019. The increase as compared to the Group's Current Assets as at 31 December 2018 was mainly due to the reclassification of the Group's service rigs and offshore vessels to Asset held for sale, offset by the impairment of other current assets during the period.

Total Liabilities

The Group's Total Liabilities amounted to US\$1,639.1 million as at 30 September 2019. The increase in Total Liabilities was mainly due to amortisation of the fair value recognised on the debt securities and loss allowances for ECL on financial guarantees to joint ventures. This decrease is offset by the repayment of bank loans and settlement of an outstanding amount due to a private subscriber by way of issuance of new ordinary shares in the Company following the exercise of a call option by the private subscriber

Total Equity

The decrease in Total Equity was attributable mainly due to the loss generated for the period, offset by issuance of new ordinary shares.

Going concern

The Group and the Company has net liabilities of US\$705.3 million and US\$1,012.2 million respectively as at 30 September 2019. This was mainly due to the losses incurred by the Group during the period as described above. The Group will continue to engage closely with the secured lenders to expedite the drawdown of the additional revolving credit facilities from the secured lenders to deploy the Group's vessels back to work.

As announced by the Company on 1 October 2019, in relation to the Proposed Subscription and the Proposed Grant of Options with Yinson Eden Pte. Ltd., an indirect wholly-owned subsidiary of Yinson Holdings Berhad ("Yinson"), the Conditions Precedent for both the Conditional Debt Conversion Agreement and the Conditional Option Agreement have not been fulfilled (or waived) by the Long-Stop Date. The Company and the Subscriber have decided on 1 October 2019 not to extend the Long-Stop Date and accordingly, the Conditional Debt Conversion Agreement and the Conditional Option Agreement have lapsed and will cease to have further effect. Notwithstanding, the Company remains in discussions with the Subscriber, as well as the Designated Lenders, to explore possible ways to move forward. The Company will keep its stakeholders informed of any further developments and make the necessary announcements.

Notwithstanding the net liability position of the Group, the Board believes that the Group's going concern assumption is appropriate for the following reasons:

- (1) the Group is still currently generating positive operating cash flows and has generated US\$18.8 million from operating activities during 9M19, and barring any unforeseen circumstances, the Group is expected to continue to generate positive cash flows for the foreseeable future;
- (2) the Group is in a net current asset position as of 30 September 2019, and is able to meet its short term obligations as and when they fall due;
- (3) the Refinancing Exercise of the Group was completed in 2018, with the earliest bullet repayment on the Group's borrowings due only in November 2023. This has provided the Group with a runway to reduce its debt to a sustainable level and achieve a sustainable capital structure; and
- (4) the Company's net current liabilities position of US\$322.3 million was mainly due to amount due to subsidiaries of US\$332.2 million as at 30 September 2019. If the amount due to subsidiaries of US\$332.2 million were excluded from the net current liabilities position of the Company, it would result in a net current asset position of US\$9.9 million.

STATEMENT OF CASH FLOWS REVIEW

Cash Flow from Operating Activities

The Group's net cash inflow from operating activities was US\$18.8 million. This was mainly due to the net cash generated by the operations of the Group.

Cash Flow from Investing Activities

The Group's net cash used in investing activities was US\$4.4 million. This was mainly due to deployment of funds towards the vessels and assets under construction, partially offset by the proceeds from sale of asset held for sale, and plant and equipment.

Cash Flow from Financing Activities

The Group's net cash used in financing activities was US\$19.0 million. This was mainly due to repayment of bank loans and payment of interest, offset by drawdown of additional bank loans.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In line with the prospect statement made in 2Q2019 and the update announcement on the Yinson Subscription released on SGX-ST on 1 October 2019.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook for the marine offshore oil and gas industry remains challenging and competitive. There have been a gradual increase in drilling and marine activities which lifted demand for the industries. However, with limited financing options, the Group was unable to capitalise on the uptrend in the market.

As announced on 1 October 2019, the Company and Yinson have decided on 1 October 2019 not to extend the Long-Stop Date and accordingly, the Conditional Debt Conversion Agreement and the Conditional Option Agreement have lapsed and will cease to have further effect. Notwithstanding, the Company remains in discussions with the Subscriber, as well as the Designated Lenders, to explore possible ways to move forward. The Company will keep its stakeholders informed of any further developments and make the necessary announcements.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There was no interested person transaction during the period under review. The Company has not obtained a general mandate from shareholders for interested person transaction.

14. Confirmation of undertakings from Directors and Executive Officers

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

BY ORDER OF THE BOARD

**Tan Wee Sin
Company Secretary**

12 November 2019

**Confirmation by the Board
Pursuant to SGX Listing Rule 705(5)**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the three months ended 30 September 2019 to be false or misleading in any material aspects.

On behalf of the Board of Directors

**Dr Wang Kai Yuen
Chairman & Non-executive Director**

**Chew Thiam Keng
Executive Director & CEO**

12 November 2019