



Second Quarter Financial Statement And Dividend Announcement For The Six Months Ended 30 June 2020

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 (Second Quarter) 3 months ended			Incr/ (Decr) %	Group (Second Quarter) 6 months ended		
	30.06.2020 US\$'000	30.06.2019 US\$'000			30.06.2020 US\$'000	30.06.2019 US\$'000	Incr/ (Decr) %
Revenue	8,647	24,403	(64.6)		18,934	52,406	(63.9)
Cost of sales and servicing	(13,843)	(24,069)	(42.5)		(28,648)	(49,918)	(42.6)
Gross (loss)/profit	(5,196)	334	N/M		(9,714)	2,488	N/M
Other income, net	2,563	-	N/M		12,185	1,644	N/M
Administrative expenses	(2,667)	(3,517)	(24.2)		(6,090)	(6,862)	(11.3)
Other operating expenses	(18,592)	(329,569)	(94.4)		(225,141)	(332,091)	(32.2)
Results from operating activities	(23,892)	(332,752)	(92.8)		(228,760)	(334,821)	(31.7)
Finance income	450	2,220	(79.7)		995	4,841	(79.4)
Finance costs	(3,573)	(13,361)	(73.3)		(10,263)	(25,972)	(60.5)
Change in fair value of financial instruments	-	(3,187)	N/M		-	(3,583)	N/M
Net finance costs	(3,123)	(14,328)	(78.2)		(9,268)	(24,714)	(62.5)
Share of results of associates and jointly controlled entities (net of tax)	340	(11,019)	N/M		189	(10,857)	N/M
Results before income tax	(26,675)	(358,099)	(92.6)		(237,839)	(370,392)	(35.8)
Income tax expense	(175)	(5,813)	(97.0)		(305)	(6,374)	(95.2)
Results after income tax	(26,850)	(363,912)	(92.6)		(238,144)	(376,766)	(36.8)

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

	Group (Second Quarter) 3 months ended			Incr/ (Decr) %	Group (Second Quarter) 6 months ended		
	30.06.2020 US\$'000	30.06.2019 US\$'000			30.06.2020 US\$'000	30.06.2019 US\$'000	Incr/ (Decr) %
Other income ¹	3,013	2,120	42.1		13,180	6,485	N/M
Interest on borrowings	(3,573)	(13,361)	(73.3)		(10,263)	(25,972)	(60.5)
Depreciation of plant and equipment and right-of-use asset	(7,829)	(12,060)	(35.1)		(15,557)	(24,445)	(36.4)
Foreign exchange (loss)/gain, net	(6,544)	(754)	N/M		8,630	(1,236)	N/M
Gain/(Loss) on disposal of asset held for sale/plant and equipment, net	2,563	(1,696)	N/M		2,563	(1,058)	N/M
Loss on derecognition of an associate	-	(6,739)	N/M		-	(6,739)	N/M
Loss allowances for ECLs on financial guarantees to joint ventures	-	(12,232)	N/M		-	(12,232)	N/M
Change in fair value of financial instruments	-	(3,187)	N/M		-	(3,583)	N/M
Impairment loss on plant and equipment, trade and other receivables, and investment in joint venture	(12,033)	(303,546)	(96.0)		(224,223)	(303,798)	(26.2)

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	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Plant and equipment	402,785	599,420	895	937
Subsidiaries	-	-	30,799	30,799
Loans to subsidiaries	-	-	255,885	285,647
Joint ventures	3,171	3,030	-	-
Loans to joint ventures	29,337	67,254	48	6,746
Right-of-use assets	1,054	1,307	1,054	1,307
Other assets	22,676	26,879	22,676	26,879
	459,023	697,890	311,357	352,315
Current assets				
Trade receivables	39,060	63,601	17,082	14,904
Other current assets	46,551	62,277	57,247	56,275
Assets held for sale	12,645	14,895	-	-
Cash and cash equivalents	61,441	43,201	29,297	9,297
	159,697	183,974	103,626	80,476
Total assets	618,720	881,864	414,983	432,791
Equity				
Share capital	958,314	934,656	958,314	934,656
Perpetual securities	14,748	14,938	14,748	14,938
Redeemable exchangeable preference shares	-	23,464	-	-
Reserves	(2,230)	806	(6,086)	(1,573)
Accumulated losses	(2,079,350)	(1,841,308)	(2,172,393)	(2,142,357)
Total equity	(1,108,518)	(867,444)	(1,205,417)	(1,194,336)
Non-current liabilities				
Lease liabilities	818	818	818	818
Other payables	8,655	23,655	-	-
	9,473	24,473	818	818
Current liabilities				
Trade payables	67,014	64,751	195	392
Other payables	72,968	64,524	411,916	427,764
Lease liabilities	233	519	233	519
Financial liabilities	1,392,880	1,403,892	1,035,474	1,020,006
Debt securities	171,764	177,628	171,764	177,628
Provision for taxation	12,906	13,521	-	-
	1,717,765	1,724,835	1,619,582	1,626,309
Total liabilities	1,727,238	1,749,308	1,620,400	1,627,127
Total equity and liabilities	618,720	881,864	414,983	432,791

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 30.06.2020		As at 31.12.2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
1,384,421	180,223	1,395,144	186,376

Amount repayable after one year

As at 30.06.2020		As at 31.12.2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
-	-	-	-

Details of any collateral

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

Included in cash and cash equivalents an amount of US\$41,907,000 (31 December 2019: US\$27,028,000) being restricted or earmarked by the banks as collaterals for various facilities granted.

1(b)(iii) Statement of comprehensive income for three months ended 30 June 2020

	Group (Second Quarter)			Group (Second Quarter)		
	3 months ended		Incr/	6 months ended		Incr/
	30.06.2020	30.06.2019	(Decr)	30.06.2020	30.06.2019	(Decr)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Results after income tax	(26,850)	(363,912)	(92.6)	(238,144)	(376,766)	(36.8)
Other comprehensive income						
<u>Items that will not be reclassified to profit or loss:</u>						
Net change in fair value of equity investments at FVOCI	1,893	(891)	N/M	(4,513)	(1,731)	160.7
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation differences						
- foreign operations	(1,766)	(1,807)	(2.3)	74	24	N/M
Exchange differences on monetary items forming part of net investment in foreign operations	1,680	300	N/M	1,403	(480)	N/M
Effective portion of changes in fair value of cash flow hedges	-	(506)	N/M	-	(713)	N/M
	(86)	(2,013)	(95.7)	1,477	(1,169)	N/M
Other comprehensive income for the period	1,807	(2,904)	N/M	(3,036)	(2,900)	4.7
Total comprehensive income for the period	(25,043)	(366,816)	(93.2)	(241,180)	(379,666)	(36.5)
Attributable to:						
Owners of the Company	(25,043)	(366,816)	(93.2)	(241,180)	(379,666)	(36.5)

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 (Second Quarter) 3 months ended		Group (Second Quarter) 6 months ended	
	30.06.2020 US\$'000	30.06.2019 US\$'000	30.06.2020 US\$'000	30.06.2019 US\$'000
Cash flows from operating activities				
Results after income tax	(26,850)	(363,912)	(238,144)	(376,766)
Adjustments for:				
Income tax expense	175	5,813	305	6,374
Depreciation expense	7,829	12,060	15,557	24,445
Change in fair value of financial instruments	-	3,187	-	3,583
Gain on disposal of asset held for sale/plant and equipment	(2,563)	1,696	(2,563)	1,058
Foreign exchange loss/(gain), net	6,544	754	(8,630)	1,236
Finance income	(450)	(2,220)	(995)	(4,841)
Finance costs	3,573	13,361	10,263	25,972
Impairment loss on plant and equipment, trade and other receivables, and investment in joint venture	12,033	303,546	224,223	303,798
Loss on derecognition of an associate	-	6,739	-	6,739
Loss allowances for ECLs on financial guarantees to joint ventures	-	12,232	-	12,232
Equity-settled share-based payment transactions	51	108	102	216
Share of results of associates and jointly controlled entities	(340)	11,019	(189)	10,857
Operating cash flow before working capital changes	2	4,383	(71)	14,903
Changes in working capital:				
Trade receivables and other assets	4,648	(3,677)	9,487	(1,185)
Trade and other payables	2,299	6,873	5,029	2,614
Cash generated from operating activities	6,949	7,579	14,445	16,332
Income tax paid	(123)	(294)	(920)	(837)
Net cash generated from operating activities	6,826	7,285	13,525	15,495
Cash flows from investing activities				
Purchase of plant and equipment	(3,102)	(3,097)	(5,272)	(7,306)
Proceeds from disposal of asset held for sale/plant and equipment	7,577	1,073	9,827	3,873
Repayment of loans from joint ventures	9,535	-	9,535	-
Interest received	-	-	34	155
Net cash generated from/(used in) investing activities	14,010	(2,024)	14,124	(3,278)
Cash flows from financing activities				
Proceeds from borrowings	-	-	20,000	-
Repayment of borrowings	(18,324)	(4,632)	(27,837)	(7,785)
Net proceeds from issuance of ordinary shares	4	-	4	-
Interest paid	(1,041)	(2,019)	(2,414)	(5,559)
Net cash generated used in from financing activities	(19,361)	(6,651)	(10,247)	(13,344)
Net increase/(decrease) in cash and cash equivalents	1,475	(1,390)	17,402	(1,127)
Cash and cash equivalents at beginning of the period	57,766	49,808	43,201	49,029
Effect of exchange rate fluctuations	2,200	(791)	838	(275)
Cash and cash equivalents at end of the period	61,441	47,627	61,441	47,627

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 2019	930,509	14,938	23,464	(1,480)	3,907	713	-	(1,226,803)	(254,752)
Total comprehensive income for the period	-	-	-	-	(456)	(713)	(1,731)	(376,766)	(379,666)
Transactions with owners, recognised directly in equity									
Issue of shares	4,147	-	-	-	-	-	-	-	4,147
Share-based payment transactions	-	-	-	-	-	-	-	216	216
At 30 June 2019	934,656	14,938	23,464	(1,480)	3,451	-	(1,731)	(1,603,353)	(630,055)
At 1 January 2020	934,656	14,938	23,464	(1,480)	2,379	-	(93)	(1,841,308)	(867,444)
Total comprehensive income for the period	-	-	-	-	1,477	-	(4,513)	(238,144)	(241,180)
Transactions with owners, recognised directly in equity									
Issue of shares	23,658	(190)	(23,464)	-	-	-	-	-	4
Share-based payment transactions	-	-	-	-	-	-	-	102	102
At 30 June 2020	958,314	14,748	-	(1,480)	3,856	-	(4,606)	(2,079,350)	(1,108,518)
Company									
At 1 January 2019			930,509	14,938	(1,480)	713	-	(1,735,448)	(790,768)
Total comprehensive income for the period			-	-	-	(713)	(1,731)	(209,264)	(211,708)
Transactions with owners, recognised directly in equity									
Issue of shares			4,147	-	-	-	-	-	4,147
Share-based payment transactions			-	-	-	-	-	216	216
At 30 June 2019			934,656	14,938	(1,480)	-	(1,731)	(1,944,496)	(998,113)
At 1 January 2020			934,656	14,938	(1,480)	-	(93)	(2,142,357)	(1,194,336)
Total comprehensive income for the period			-	-	-	-	(4,513)	(30,138)	(34,651)
Transactions with owners, recognised directly in equity									
Issue of shares			23,658	(190)	-	-	-	-	23,468
Share-based payment transactions			-	-	-	-	-	102	102
At 30 June 2020			958,314	14,748	(1,480)	-	(4,606)	(2,172,393)	(1,205,417)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of 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 2020, the Company had issued 22,073,345 new shares pursuant to the terms of the redeemable exchangeable preference shares ("REPS") at the exchange price of S\$1.3591 per share to the REPS holders.

During the second quarter of 2020, the Company had issued 904,813 ordinary shares at an issue price of S\$0.2763 per share pursuant to the conversion of perpetual securities into ordinary shares of the Company.

The Company had also issued 12,039 ordinary shares at an issue price of S\$0.45 per share pursuant to the exercise of 12,039 warrants by warrant holders.

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

As at 30 June 2020, the share capital less treasury shares of the Company was 3,750,192,274 ordinary shares (3,753,376,274 issued ordinary shares less 3,184,000 treasury shares). As at 31 December 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 June 2020, the Company had S\$137.8 million of outstanding convertible bonds and perpetual securities available for conversion into 498,733,261 ordinary shares of the Company (the conversion price is reset every six months). As at 31 December 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, as at 31 December 2019, 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 June 2020 and 30 June 2019.

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 June 2020, the issued and paid up share capital excluding treasury shares of the Company comprised 3,750,192,274 (31 December 2019: 3,727,202,077) ordinary shares.

As at 30 June 2020, a subsidiary of the Company has no (31 December 2019: 300) redeemable exchangeable preference shares outstanding as it has been fully converted during the first quarter of 2020.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The movement of treasury shares are as follows:

As at 1 January 2020 = 3,184,000 shares

Purchase of treasury shares during the period = Nil

Transfer of treasury shares during the period = Nil

As at 30 June 2020 = 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 the current financial period reported on.**

Not applicable.

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

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 modifications 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 2019.

- 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 2019, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 January 2020 as follows:

Amendments to References to Conceptual Framework in SFRS(I) Standards

Definition of a Business (Amendments to SFRS(I) 3)

Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)

The above new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

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 (Second Quarter) 3 months ended		Group (Second Quarter) 6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
(in US\$ cents)				
(a) Based on weighted average	-0.72 cts	-9.76 cts	-6.37 cts	-10.12 cts
(b) On a fully diluted basis	-0.72 cts	-9.76 cts	-6.37 cts	-10.12 cts

Note :

Weighted average ordinary shares
for calculation of:

- Basic earnings per share	3,750,029,614	3,727,387,657	3,741,041,488	3,724,119,829
- Diluted earnings per share*	3,750,029,614	3,727,387,657	3,741,041,488	3,724,119,829

* As the period ended 30 June 2020 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 liabilities 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	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
(in US\$ cents)				
Net liabilities value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the year reported on	-29.56 cts	-23.27 cts	-32.14 cts	-32.04 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

2Q20 vs 2Q19

The Group's revenue for the three months ended 30 June 2020 ("2Q20") decreased by US\$15.8 million (64.6%) to US\$8.6 million as compared to the corresponding three months ended 30 June 2019 ("2Q19"). The decrease in revenue was mainly due to:

- (i) decrease in utilisation and charter rates for the Group's jack-up rigs; and
- (ii) decrease in utilisation rates of liftboats resulting from continued delays in re-deployment of the Group's assets.

The continued delay in re-deployment is due to the following:

- (a) the COVID-19 pandemic that has affected over 150 countries, resulting in partial or full lockdowns in many such affected countries. This has resulted in the disruption in various international and domestic supply chains and has created a significant strain on demand across various industries including the oil and gas industry. Demand for the Group's assets was severely impacted by this and this has contributed to the decrease in utilisation and charter rates across the Group's fleet; and
- (b) working capital constraints arising mainly from limited available financing options since lenders remain adverse to lending to our sector as the Group is also undergoing corporate restructuring.

The cost of sales and servicing for 2Q20 decreased by US\$10.2 million (42.5%) to US\$13.8 million as compared to 2Q19, mainly due to lower depreciation expense; and lower operating costs due to lower activities from the Group's liftboats and jack-up rigs.

As a result of the above, the Group recorded a gross loss of US\$5.2 million in 2Q20 compared with a gross profit of US\$0.3 million in 1Q19.

The increase in other income for 2Q20 was mainly due to the gain on disposal of plant and equipment during the quarter.

The decrease in administrative expenses in 2Q20 as compared to 2Q19 was mainly due to lower staff costs as management and staff has taken salary reductions during the period.

The COVID-19 pandemic and the plunge in oil prices have however severely impacted the demand of the Group's vessels and rigs, contributing to decrease in utilisation and charter rates of the Group's vessels and rigs, which affect the contracts due for renewal post period-end. Hence, the Group has updated its impairment assessment in 2Q20 and recognised net impairment losses of US\$12.0 million in 2Q20. The breakdown of the net impairment losses are as follows:

	US\$'000
Plant and equipment	20,253
Trade receivables	(742)
Other current assets	2,040
Loans to joint ventures	(9,518)
	<u>12,033</u>

Finance income has decreased in 2Q20 mainly due to decrease in interest income from loans to joint ventures.

Finance costs have decreased in 2Q20 mainly due to absence of amortisation of the fair value recognised on the Debt Securities and term loans as the amortisation was fully accelerated in 4Q2019.

The share of profits of associates and jointly controlled entities in 2Q20 was contributed by operating profit generated by the Group's joint venture, which operates in the windfarm industry in China.

The Group generated loss before income tax of US\$26.7million in 2Q20 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 credit of US\$0.2 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

1H20 vs 1H19

The Group's revenue for the six months ended 30 June 2020 ("1H20") decreased by US\$33.5 million (63.9%) to US\$18.9 million as compared to the corresponding six months ended 30 June 2019 ("1H90"). The decrease in revenue was mainly due to:

- (i) decrease in utilisation and charter rates for the Group's jack-up rigs; and
- (ii) decrease in utilisation rates of liftboats resulting from continued delays in re-deployment of the Group's assets.

The continued delay in re-deployment is due to the following:

- (a) the COVID-19 pandemic that has affected over 150 countries, resulting in partial or full lockdowns in many such affected countries. This has resulted in the disruption in various international and domestic supply chains and has created a significant strain on demand across various industries including the oil and gas industry. Demand for the Group's assets was severely impacted by this and this has contributed to the decrease in utilisation and charter rates across the Group's fleet; and
- (b) working capital constraints arising mainly from limited available financing options since lenders remain adverse to lending to our sector as the Group is also undergoing corporate restructuring.

The cost of sales and servicing for 1H20 decreased by US\$21.3 million (42.6%) to US\$28.6 million as compared to 1H19, mainly due to lower depreciation expenses on plant and equipment and lower operating costs due to lower activities from the Group's jack-up rigs.

As a result of the above, the Group recorded a gross loss of US\$9.7 million in 1H20 compared with gross profit of US\$2.5 million in 1H19.

The increase in other income for 1H20 was mainly due to the foreign exchange gain arising of US\$8.6 million from the Group's Singapore Dollar denominated borrowings and Singapore Dollar denominated debt securities as the US Dollar appreciated against the Singapore Dollar during this period. In addition, the increase in other income was contributed by the gain on disposal of plant and equipment of US\$2.6 million during the quarter.

The decrease in administrative expenses in 1H20 as compared to 1H19 was mainly due to decrease in staff costs as management and staff has taken salary reductions in 2Q20.

The COVID-19 pandemic and the plunge in oil prices have however severely impacted the demand of the Group's vessels and rigs, contributing to decrease in utilisation and charter rates of the Group's vessels and rigs, which affect the contracts due for renewal post period-end. Hence, the Group has updated its impairment assessment and recognised net impairment losses of US\$224.2 million for 1H20. The breakdown of the net impairment losses are as follows:

	US\$'000
Plant and equipment	181,565
Trade receivables	865
Other current assets	13,361
Loans to joint ventures	28,432
	<u>224,223</u>

Finance income has decreased in 1H20 mainly due to decrease in interest income from loans to joint ventures.

Finance costs have decreased in 1H20 mainly due to absence of amortisation of the fair value recognised on the Debt Securities and term loans as the amortisation was fully accelerated in 4Q2019.

The share of profits of associates and jointly controlled entities in 1H20 was contributed by operating profit generated by the Group's joint venture, which operates in the windfarm industry in China.

The Group generated loss before income tax of US\$237.8 million in 1H20 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\$0.3 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\$459.0 million as at 30 June 2020. The decrease in Non-current Assets was mainly due to impairment losses made on loans to joint ventures, and plant and equipment.

Current Assets

The Group's Current Assets amounted to US\$159.7 million as at 30 June 2020. The decrease as compared to the Group's Current Assets as at 31 December 2019 was mainly due to: the impairment of other current assets of US\$13.4 million during the period; decrease in trade receivables of US\$24.5 million; offset by increase in cash and cash equivalents of US\$18.2 million.

Total Liabilities

The Group's Total Liabilities amounted to US\$1,727.2 million as at 30 June 2020. The decrease in Total Liabilities was mainly due to repayment of bank loans and other payables; and downward revaluation of Singapore Dollar denominated bank loans and Debt Securities as the US Dollar has appreciated against the Singapore Dollar during this period. This is offset by drawdown of loan of US\$20 million during the period.

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 have net liabilities of US\$1,108.5 million and US\$1,205.4 million respectively as at 30 June 2020. This was mainly due to the losses incurred by the Group. In addition, the Group and the Company have net current liabilities of US\$1,558.1 million and US\$1,509.4 million respectively as at 30 June 2020. This is a result of reclassification of the Group's non-current portion of bank borrowings and debt securities to current liabilities following the proposal for the Scheme of Arrangement as announced on 28 February 2020.

The ability of the Group to maintain as a going concern is highly dependent upon:

- (1) the continuing support of the Group's lenders;
- (2) the ability to generate positive operating cashflows. The Group expects the overall operating environment to remain challenging following the COVID-19 pandemic and the plunge in oil prices. While the Group is still currently able to generate positive cash flows from customer contracts to meet its working capital needs and interest on debt obligations in the next 12 months, there is no assurance that the Group can continue to do so; and
- (3) the successful negotiation between lenders and the prospective investor. As at 30 June 2020, the Group has outstanding loans and borrowings of US\$1,564,644,000 that were classified as "current liabilities", caused by breaches of certain financial covenants. These loans and borrowings are repayable on demand and the Group is currently addressing the default of its loans and borrowings through the corporate restructuring. The corporate restructuring would involve a combination of capitalisation of existing debts into share capital of the Company, cash subscription by a prospective investor, and a simultaneous compromise of the Group's debt obligations. The quantum of debt capitalisation and debt compromise, together with the cash subscription, are under negotiation with the lenders and prospective investor to date.

On 2 July 2020, the Company has announced that it has entered into an agreement with the Subscriber and the Major Secured Lenders to update the terms of the Proposed Transactions and the Proposed Scheme of Arrangement (the "Amendment Agreement"). The amendments include the following:

- (a) the filing of the Proposed Scheme of Arrangement by the Company as part of the Proposed Transactions shall be put on hold until the expiry of the Effective Period (from 2 July 2020 to 31 August 2020) or such time the Subscriber and the Major Secured Lenders confirm that the Company may proceed with the filing;

- (b) the Company may engage with other potential investor(s) to explore alternative transactions to the Proposed Transactions. If an alternative proposal and offer from any such potential investor is accepted by the Company and the Major Secured Lenders, the Major Secured Lenders, Company and the Subscriber shall be entitled to mutually terminate the Proposed Transactions pursuant to the underlying agreements entered into on 28 February 2020 (the "Transaction Agreements") prior to the Final Effective Period Day (31 August 2020), whereupon none of the parties to the Transaction Agreements shall have any claims against the other parties thereto arising from such termination and the balance of the Deposit shall be repaid by the Major Secured Lenders to the Subscriber in accordance with the Deposit Agreement; and
- (c) if the Subscriber, the Major Secured Lenders and the Company shall have entered into an agreement for the Proposed Transactions to be varied or based on such new terms to be agreed mutually: (i) the Subscriber shall place a further deposit of US\$3,000,000 with the Major Secured Lenders and/or the Company ; and (ii) the Transaction Agreements shall be amended accordingly or the Subscriber, the Major Secured Lenders and the Company shall enter into new transaction documents which shall reflect such mutually agreed new terms, replacing the Transaction Agreements. All parties shall use its reasonable endeavours to finalise the documentation in respect of the Proposed Transactions on the new terms within the Effective Period, or such longer period as mutually agreed between all parties.

In the event that none of the above occurs by the Final Effective Period Day, the Subscriber is deemed to be unable to proceed with the Proposed Transactions, and (a) the Deposit paid pursuant to the Deposit Agreement shall be forfeited by the Subscriber in favour of the Major Secured Lenders and distributed in accordance with the Deposit Agreement; (b) the Transaction Agreements shall be terminated immediately; and (c) there shall be no recourse against the Subscriber save for the forfeiture of the Deposit. The Company will continue to provide its stakeholders with updates on a timely basis if and when there are further developments.

STATEMENT OF CASH FLOWS REVIEW

Cash Flow from Operating Activities

The Group's net cash inflow from operating activities was US\$13.5 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 from investing activities was US\$14.1 million. This was mainly due to proceeds from sale of asset held for sale and plant and equipment; the recovery of loans from joint ventures; offset by deployment of funds towards the vessels and assets under construction.

Cash Flow from Financing Activities

The Group's net cash generated from financing activities was US\$10.2 million. This was due to drawdown of loan of US\$20.0 million, offset by repayment of bank loans and payment of interest.

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 1Q20.

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 COVID-19 pandemic has adversely affected oil demand and there is global slowdown in the offshore and marine sector. The utilisation of the Group's fleet of vessels has been severely impacted as reflected in the Group's 1H20 financial performance and the Group's future utilisation and charter rates will be further impacted by the global slowdown in the industry.

The discussion between the Subscriber and the Major Secured Lenders are still on-going as announced by the Company on 2 July 2020 and as summarised in note 8 above under Going Concern, the outcome of these discussions will have very significant impact on the future of the Group and the Company. The Company will make announcements as and when necessary.

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 and the reason(s) for the decision.

No dividend has been declared/recommendeded for the current financial reporting period due to the net liabilities position of the Group and the Company.

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

14 August 2020

**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 June 2020 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**

14 August 2020