

ANNUAL REPORT 2018



CONTENTS

004

Corporate Profile

008

Financial Highlights

010

Letter To Shareholders

016

Board Of Directors

018

Key Executives

022

Operations Review

030

Corporate Structure

032

Corporate Information

Owner of
one of the
youngest,
largest
and most
sophisticated
fleet of
Liftboats in
the world.





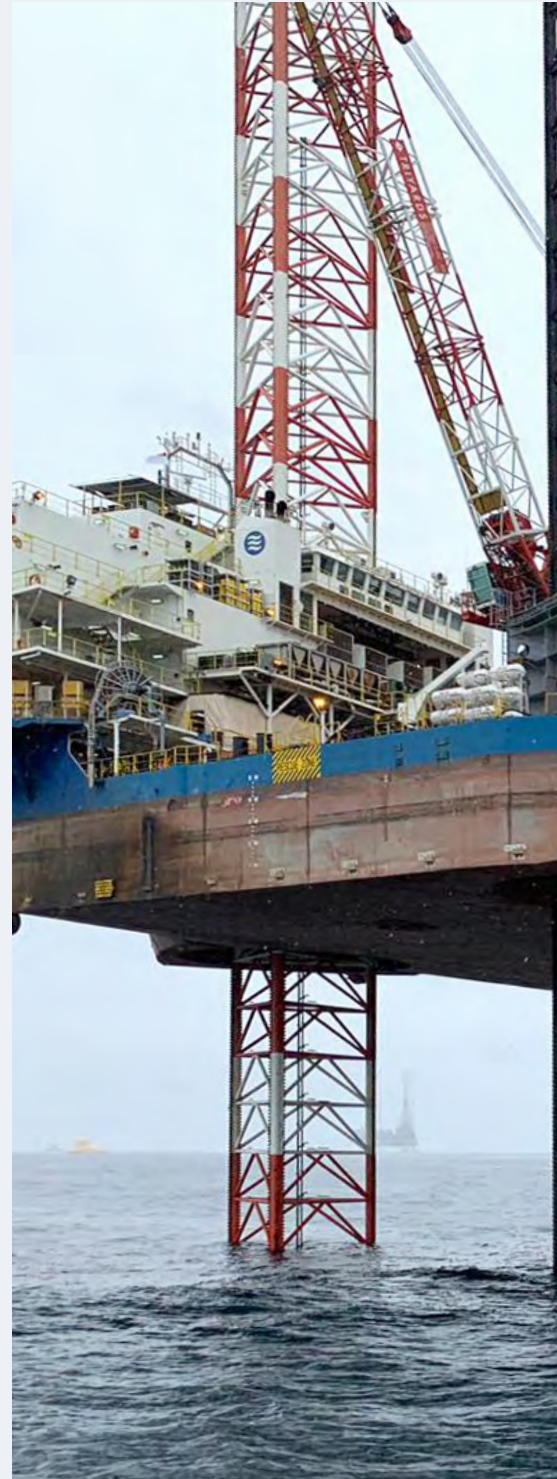
CORPORATE PROFILE

Ezion Holdings Limited ("Ezion") and together with its subsidiaries (the "Group") specialises in the development, ownership and chartering of strategic offshore assets to support the offshore energy markets.

The Group's Liftboats and Jack-up Rigs are focused in production enhancement and extraction related activities of the offshore oil and gas industry and can also support the offshore wind farm industry with their accommodation, loading, construction, installation and transportation capabilities and operate in shallow waters.

The Group is the owner of one of the youngest, largest and most sophisticated fleet of Liftboats in the world and one of the first to promote the usage of Liftboats in Asia, Middle East & West Africa. The Group is also the only operator in Southeast Asia with a fleet of Service Rigs that can be used both in the offshore oil and gas industry as well as the offshore wind farm industry.

The Group and its associated companies also has the capabilities in the design, engineering, procurement, construction and commissioning of Mobile Offshore Production Units and its related equipment and modules.



SPECIALISES IN THE
DEVELOPMENT,
OWNERSHIP
AND CHARTERING OF
STRATEGIC OFFSHORE
ASSETS TO SUPPORT
THE **OFFSHORE**
ENERGY MARKETS

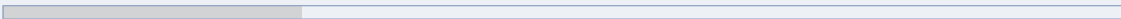
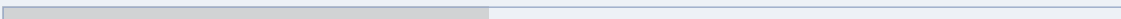
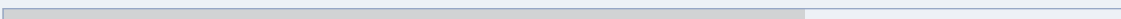
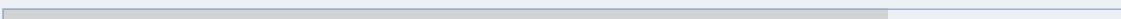
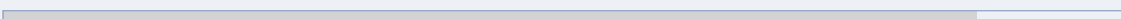




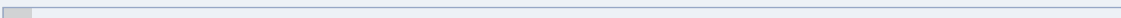
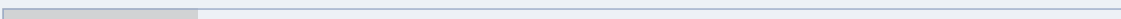
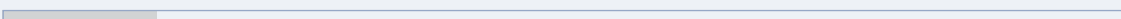
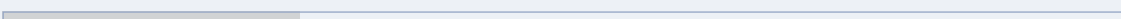
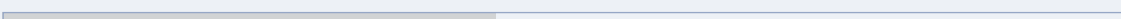


FINANCIAL HIGHLIGHTS

REVENUE (US\$'000) 118,696

2018		118,696
2017		193,108
2016		318,245
2015		351,147
2014		386,512

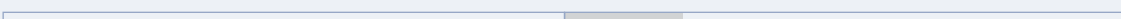
GROSS PROFIT (US\$'000) 11,662

2018		11,662
2017		77,370 ¹
2016		61,246
2015		118,065
2014		195,968

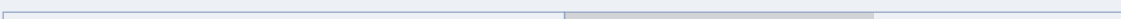
SHAREHOLDERS' FUND (US\$'000) (254,752)

2018		(254,752)
2017		(100,688) ¹
2016		1,315,284
2015		1,241,310
2014		1,312,621

[LOSS] / EARNINGS PER SHARE (US Cents/Share) (10.91)

2018		(10.91)
2017		(15.95) ¹
2016		(2.30)
2015		1.51 ²
2014		15.66 ²

NET ASSET VALUE (US Cents/Share) (6.87)

2018		(6.87)
2017		(4.86) ¹
2016		63.43
2015		77.50 ²
2014		81.93 ²

	2018 US\$'000	2017 ¹ US\$'000	2016 US\$'000	2015 US\$'000	2014 US\$'000
Revenue	118,696	193,108	318,245	351,147	386,512
(Loss)/Profit Before Tax	(341,847)	(320,201)	(30,924)	38,365	225,763
Net (Loss)/Profit	(344,339)	(323,093)	(33,606)	36,784	223,734

KEY FINANCIAL POSITION INDICATORS

Shareholders' Fund	(254,752)	(100,688)	1,315,384	1,241,310	1,312,621
Total Assets	1,342,101	1,530,246	3,001,710	3,108,402	2,980,971
Total Liabilities	1,596,853	1,630,934	1,686,326	1,867,092	1,668,350

PERFORMANCE INDICATORS

(Loss) / Earnings Per Share (US cents/share)	(10.91)	(15.95)	(2.30)	1.51 ²	15.66 ²
Net Asset Value (US cents/share)	(6.87)	(4.86)	63.43	77.50 ²	81.93 ²

FINANCIAL RATIOS

ROE (%)	(135.17)	(320.89)	(2.63)	2.88	21.18
ROA (%)	(25.66)	(21.11)	(1.10)	1.21	8.91
Current Ratio (times)	1.50	0.23	1.11	1.01	1.54
Net Gearing (times)	N/M	N/M	0.98	1.14	0.86

Note:

¹ Restated due to adoption of Singapore Financial Reporting Standards (International).

² Restated due to retrospective adjustments for issuance of Rights Issue.

N/M Not meaningful

LETTER TO SHAREHOLDERS

TO ALL OUR VALUED SHAREHOLDERS:

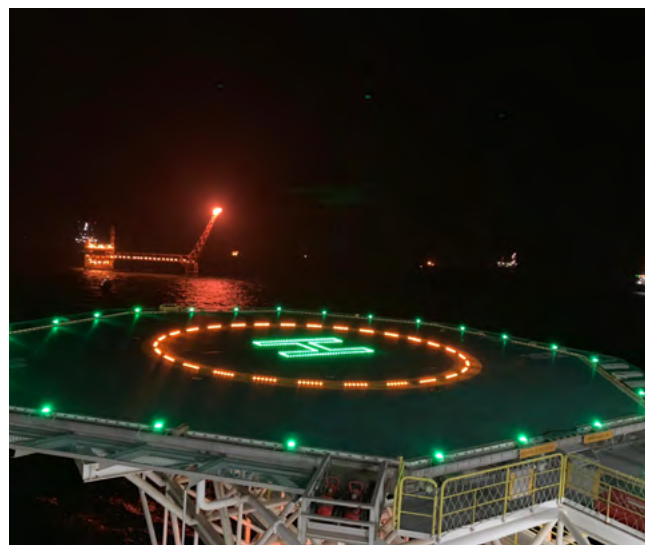
Grace and peace to all.

It has been an extremely turbulent year in 2018 for the Group. Notwithstanding the completion of the refinancing exercise in 2018 and the rationalization of the Group's business, the overall market conditions however have remained very challenging due to the uncertainty in oil prices that has affected the Group's clients as well as the persistent oversupply of certain marine assets like tugs, barges, workboats and jack ups.

Some of the shipyards, equipment suppliers and service providers which the Group is working with are similarly affected which in turn impacted the deployment plans of the Group significantly.

Moreover, we were not able to fully utilise the additional working capital lines extended to us by the banks due to the scale and complexity of the refinancing exercise. The exercise involved bilateral loans with various secured lenders, with each secured lender having its own set of requirements in terms of documentation and internal clearances to be obtained as many vessels in multiple jurisdictions involving various legal counsels were involved. The general caution of the secured lenders towards the industry had also made it difficult to utilise the lines.

“Ezion will leverage on Yinson’s extensive network of clientele and service providers to **further enhance Ezion’s position as a leader** of Liftboat in the offshore Oil and Gas and Offshore Windfarm industries.”





The above factors have severely affected the reactivation and deployment plans of the Group, resulting in the reduction of revenue and increased operating costs which will not be sustainable in the long term.

The revenue of the Group decreased 38.5% from USD 193.1 million in FY2017 to USD 118.7 million in FY2018 and the gross profit reduced 84.9% from USD 77.4 million in FY2017 to USD 11.7 million in FY 2018.

Despite the various issues faced by the Group, the Group is still currently generating positive operating cash flows of USD 9.8 million for FY2018.

The Group registered a net loss of USD 344.3 million and has negative equity of USD254.8 million for FY2018.

It is therefore vital for the Group to have a strategic investor. We have shared earlier in our announcement dated 4th February 2019 and 1st March 2019 that Ezion Holdings Limited ("Ezion") is in advanced discussions with a potential strategic investor.

As per our announcement on 31st March 2019, we are pleased to inform that Yinson Holdings Berhad ("Yinson"), one of the world's leading Floating, Production, Storage and Offloading (FPSO & FSO) service providers, is in advanced stage of discussions with our secured lenders

LETTER TO SHAREHOLDERS

to acquire the benefits and rights in respect of up to USD 916.0 million of the existing loans extended to Ezion Group. Yinson has entered into a conditional debt conversion agreement with the Group to convert the loans into Ezion's equity at a conversion price of SGD 0.055 as well as a conditional option agreement to subscribe for 3,360,495,867 of Ezion share at a price of SGD 0.0605 for a total consideration of approximately USD 150 million.

Upon completion of the above-mentioned transaction, Yinson will become our new majority shareholder with a shareholding of not less than 70% in Ezion. The entrance of Yinson as Ezion's new majority shareholder will enable the Group to recapitalize its balance sheet, reduce its debts and restore its normal operations to meet the demand from its clients for its fleet of Liftboats. Ezion will leverage on Yinson's extensive network of clientele and service providers to further enhance Ezion's position as a leader of Liftboat in the offshore Oil and Gas and Offshore Windfarm industries. Both companies will also be able to share resources, enjoy economies of scale in the operations and provide integrated and wider scope of services to their clients. A separate circular with more information of this major exercise will be delivered to you at a later date and this needs your blessing to go through.

We thank God for his grace upon us for the last twelve months.

We are appreciative to our fellow directors for their continued guidance and support and to the management team and staff who have sacrificed much and persevered under extreme pressure, we are deeply obliged.

To our bankers, we are grateful for every dispensation of grace and kindness.

To our business associates and partners, we very much treasure your support and we look forward to more mutually beneficial business opportunities with you going forward.

We are much indebted to our consultants and the professional team that have been assisting us all this while. Your much treasured advice and un-wavering faith have provided us the encouragement needed during the most difficult times and the darkest hours.

We thank you for keeping faith with us.

May the Lord lift up His countenance upon you and give you peace.

DR WANG KAI YUEN

Chairman

MR CHEW THIAM KENG

Chief Executive Officer







BOARD OF DIRECTORS

DR WANG KAI YUEN

Independent Non-Executive Chairman

Dr Wang Kai Yuen was appointed the Independent Non-Executive Chairman on 5 January 2016. He has been an Independent Non-Executive Director since 28 July 2000 and was last re-elected on 30 April 2018. Dr Wang sits on the Board of COSCO Corporation (Singapore) Limited, ComfortDelGro Corporation Limited, China Aviation Oil (Singapore) Corporation Ltd, HLH Group Limited and Emas Offshore Limited, companies listed on the SGX-ST. He previously served as independent director of Matex International Limited and A-Sonic Aerospace Limited. Dr Wang retired from Fuji Xerox Singapore Software Centre in December 2009 as the Centre Manager. Dr Wang served as

a Member of Parliament for the Bukit Timah Constituency from December 1984 till April 2006. He was the Chairman of Feedback unit from 2002 till his retirement from politics. Dr Wang graduated from the National University of Singapore with a Bachelor in Engineering (First Class Honours in Electrical and Electronics). He also holds a Master of Science in Industrial Engineering, a Master of Science in Electrical Engineering and a PhD in Engineering from Stanford University. He received a Friend of Labour Award in 1988 for his contributions to the Singapore labour movement.

MR CHEW THIAM KENG

Chief Executive Officer and Executive Director

Mr Chew Thiam Keng was appointed an Executive Director on 1 March 2007, and was appointed as the Chief Executive Officer on 1 June in the same year. He was last re-elected as a Director on 27 April 2017. Mr Chew is responsible for the Group's operations, strategic planning, corporate management and business development. Before joining the Group, Mr Chew was the Managing Director/CEO of KS Energy Services Limited for about five years and was an Executive Director of Kian Ann Engineering Ltd between 1996 and November 2001. Before that, Mr Chew was with

the Development Bank of Singapore Limited for nine years working in the areas of banking such as corporate finance and retail banking. Mr Chew holds a Master Degree in Business Administration from the University of Hull and a Bachelor Degree (Honours) in Mechanical Engineering from the National University of Singapore. Mr Chew is currently a Non-Executive Chairman of Charisma Energy Services Limited, a company listed on the SGX-ST. He previously served as Independent Non-Executive Director of Pharmesis International Limited.

MR LIM THEAN EE

Independent Non-Executive Director

Mr Lim Thean Ee is an Independent Non-Executive Director appointed on 28 July 2000 and was last re-elected on 27 April 2017. He has been appointed the Chairman of the Remuneration Committee with effect from 18 July 2008 and is a member of both the Audit and Nominating Committees. Mr Lim participates actively in community work. He is Honorary Chairman of Telok Blangah Citizens' Consultative Committee and Chairman of CCC's Community Development & Welfare Fund Committee. In addition, he is also the Chairman of

Depot Estate Businesses Association. In recognition of his contribution to the community, Mr Lim was conferred both the Public Service Medal and the Public Service Star Medal in 1998 and 2012 respectively. He currently serves as the Managing Director of Coastal Navigation Pte Ltd and has more than 30 years of experience in shipbuilding and ship repairing industry. He is an Associate Member of Society of Naval Architects and Marine Engineers, USA since year 1974. Mr Lim is currently an Independent Director of Miyoshi Limited, a company listed on the SGX-ST.

MR TAN WOON HUM

Independent Non-Executive Director

Mr Tan Woon Hum is an Independent Non-Executive Director appointed on 21 March 2007 and was last re-elected on 30 April 2018. He has been appointed the Chairman of the Audit Committee with effect from 5 January 2016 and is a member of both the Nominating and Remuneration Committees. Mr Tan is currently a partner of Shook Lin & Bok LLP, a Singapore law firm and has been with the firm since December 2003. He graduated from the National University of Singapore with a LLB (Honours) Degree in 1995 and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1996. Mr Tan obtained his MBA (Finance) from the University of Leicester

in 2000. He has been in private legal practice since 1996 and specializes in trust, asset and wealth management. He advises on the establishment of traditional and alternative funds including related licences and exemptions for fund management companies, as well as the establishment and listing of REITS. Mr Tan is an Independent Non-Executive Director of AP Oil International Limited, a company listed on the SGX-ST. He is also an Independent Non-Executive Director of YTL Starhill Global REIT Management Limited, a manager of Starhill Global REIT, a Singapore-based real estate investment trust listed on the SGX-ST.

MR YEE CHIA HSING

Independent Non-Executive Director

Mr Yee Chia Hsing is an Independent Non-Executive Director appointed on 5 January 2016 and was last re-elected on 27 April 2016. He has been appointed the Chairman of the Nominating Committee with effect from 5 January 2016 and is a member of both the Audit and Remuneration Committees. Mr Yee is currently Head, Catalist of CIMB Bank Berhad, Singapore Branch, a position he has held since early 2011. At CIMB Bank, he is responsible for the introduction, supervision and

continuing sponsorship of Catalist companies on the SGX-ST. Mr Yee holds a Bachelor of Accountancy Degree (First Class Honours) from the Nanyang Technological University, Singapore. He currently sits on the Audit Committee of Ren Ci Hospital (a Singapore charity) and is an Independent Director of First Sponsor Group Limited, a company listed on the SGX-ST. Mr Yee is an elected Member of Parliament for Chua Chu Kang GRC.

KEY EXECUTIVES

MR LEE KON MENG, PETER

Deputy Chief Executive Officer

Mr Lee Kon Meng, Peter joined the Group in May 2010 and was appointed as Deputy Chief Executive Officer on 1 January 2018. He is responsible in providing strategic management to the Group's operations. Mr Lee holds a Master Mariner Class 1 certification and he is a veteran of the merchant navy and offshore industry in related management oversight and responsibilities. Before joining the Group, Mr Lee served as a Director of POSH Semco Pte Ltd (joining from 1993 to May 2010), specialising in turnkey major transportation and FPSO towage, installation projects in the offshore oil and gas industry and salvage.

MR GOON FOOK WYE PAUL

Chief Group Business Officer

Mr Goon Fook Wye Paul joined the Group in November 2012 and was appointed as Chief Group Business Officer on 1 August 2018. He has more than 15 years of experience in auditing and commercial accounting and is responsible for the Group's execution of strategic and commercial plans, working with all functional units in ensuring business priorities and commercial obligations are met. Mr Goon holds an ACCA accounting qualification and is a member of the Institute of Singapore Chartered Accountants. Prior to this, he was the Chief Financial Officer of Charisma Energy Services Limited, a company listed on the SGX-ST.

MR ALAN CHONG

Acting Chief Financial Officer

Mr Alan Chong joined the Group in February 2007 and was appointed as Acting Chief Financial Officer on 1 August 2018. He is responsible for the Group's overall

financial functions as well as corporate secretarial matters and establishing and maintaining investor relations of the Group. He holds a Bachelor of Business (Honours) degree in Banking and Finance from the Nanyang Technological University, Singapore and has more than 10 years of experience in the offshore oil and gas industry.

MR POH LEONG CHING, DAVID

Chief Business Development Officer / Country Head, China

Mr Poh Leong Ching, David joined the Group in April 2007 and is responsible for identifying, securing and managing relationships in new business areas in line with the strategic direction of the Group. He is also the country head of China spearheading the Group's thrust in developing business opportunities in China. Under his credentials are over 20 years of experience in the sales and operations of vessels and cranes. Mr Poh was the Marketing Manager of Tiong Woon Marine Pte Ltd and Tat Hong Holdings Group before joining the Group.

MR CHEAH BOON PIN

Chief Strategy Officer

Mr Cheah Boon Pin joined the Group in June 2007 bringing with him over 20 years of experience in auditing and commercial accounting. He was appointed as Chief Strategy Officer on 1 January 2018 and is responsible to provide a strategic and risk management overlay for the Group's commercial and operational activities. Before joining the Group, Mr Cheah had served in financial management positions in two Singapore Exchange Main Board listed companies. He holds an ACCA accounting qualification and is a member of the Institute of Singapore Chartered Accountants.

MR TAN KIM KWANG*Group Human Resources Director*

Mr Tan Kim Kwang joined the Group in January 2014 and is responsible for the human resources management for the Group. He was a Managing Director with the Government of Singapore Investment Corporate Pte Ltd (GIC) managing the global human resources and facilities function. He was with the GIC for 16 years. Prior to joining the GIC, Mr Tan was with the DBS Bank for seven years, working in the retail banking sector. Mr Tan holds a Bachelor Degree (1st Class Honours) in Mechanical Engineering from the National University of Singapore.

MR BJARKE PEDERSEN*Deputy Director, Fleet Operations*

Mr Bjarke Pedersen joined the Group in December 2014 to oversee Teras Fleet including Operations, HSE, Procurement, Crewing and Technical functions. He holds a Master Mariner Class 1 certification. Mr Pedersen has more than 40 years of experience in the marine industry and was the Regional Marine Manager of a Norway Company prior joining the Group.

MR YE MIN*Deputy Chief Information Officer*

Mr Ye Min joined the Group in April 2014 with over 20 years' experience in Information Technology. He is responsible for providing vision and leadership in developing and implementing information technology initiatives that align with the business and operation needs of the Group. Prior to this, Mr Ye served as General Manager, IT Services in a Singapore Exchange Main Board listed company managing the IT aspects of the operation.

MS LI FANGYI*Head, Legal*

Ms Li Fangyi joined the Group in June 2016 and holds responsibilities for the Group's legal affairs and strategies worldwide. Prior to joining the Group, Ms Li practiced in Allen & Gledhill LLP, one of the leading law firms in Singapore, where she advised on and acted in various maritime and shipping matters, commercial and corporate disputes and corporate re-organisation / restructuring. She holds a Bachelor of Laws from the National University of Singapore, and has been admitted to practice law in Singapore.

MR DERRICK CHING*Senior Commercial & Projects Manager*

Mr Derrick Ching joined the Group in March 2008 and is responsible for marketing of the Group's fleet of Jack-ups and vessels. Mr Ching has more than 10 years of experience in the oil and gas industry and has successfully completed several upgrading and refurbishment of offshore drilling rigs. On top of that, he is also experienced in heavy lift accommodation barges, seismic vessels and pipe layers.





OPERATIONS REVIEW



“The Group has measured the fair value of financial liabilities that were subject to refinancing and has recognised one-off fair value gain of US\$112.4 million in FY2018.”

Financial Highlights

The Group revenue for FY2018 decreased by 38.5% to US\$118.7 million. The decrease in revenue was mainly due to:

- (i) drop in utilization rates of liftboats and jack-up rigs as a result of continued delays in re-deployment of the Group's assets due to working capital constraints pending finalization of the additional revolving credit facilities;
- (ii) the systematic 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 has severely affected the Group's ability to operate, maintain and deploy its vessels; and
- (iii) overall reduction in charter rates across the Group's fleet of vessels.

The cost of sales and servicing for FY2018 decreased by 7.5% to US\$107.0 million as compared to FY2017. The decrease was mainly due to lower depreciation expenses on vessels, offset by higher maintenance costs for vessels that were delayed in re-deployment.

As a result of the above, the Group recorded a gross profit of US\$11.7 million in FY2018 compared with US\$77.4 million in FY2017.

Other income in FY2018 was mainly due to was mainly due to gain on derecognition of an associate as Ausgroup Limited is no longer deemed an associated company of the Group as the Group has ceased to be a controlling shareholder of Ausgroup Limited. Other income in FY17 was mainly due to the gain on disposal of subsidiaries recognised by the Group.

The decrease in administrative expenses in FY2018 as compared to FY2017 was mainly due to continuing cost cutting measures undertaken by the Group.

OPERATIONS REVIEW

The other operating expenses in FY2018 mainly comprise impairment losses or write-offs of plant and equipment, trade receivables, other assets, loans to joint ventures and loss allowances for financial guarantees to joint ventures of US\$356.9 million, and costs incurred on the refinancing exercise. As compared to FY2017, other operating expense mainly comprise impairment losses or write-offs of plant and equipment, trade receivables, other assets and loans to joint ventures of US\$278.0 million and foreign exchange losses of US\$31.6 million.

Finance income has increased in FY2018 as compared to FY2017 and was mainly due to increase in interest income from loans to joint ventures.

The Group has measured the fair value of financial liabilities that were subject to refinancing and has recognised fair value gain of US\$112.4 million in FY2018.

The increase in finance costs in FY2018 as compared to FY2017 was mainly due to amortization of the fair value recognised on the Group's debt securities and term loans during the year.

The increase share of associates and jointly controlled entities' losses in FY2018 as compared to FY2017 was mainly due to increase in operating losses from the Group's Joint Ventures and Associates.

As a result of the above, the Group incurred loss before income tax of US\$341.8 million in FY2018.

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\$2.5 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.



OPERATIONS REVIEW

Business Segments

Revenue according to business segments for FY2018 consist of revenue from liftboats, jack-up rigs and offshore support logistics service vessels which amounted to approximately US\$68.7 million or 57.9%, US\$40.5 million or 34.1% and US\$8.9 million or 7.5% respectively. The decrease in revenue from jack-up rigs for FY2018 as compared to FY2017 amounted to US\$35.8 million or 46.9%. As a result, the revenue mix for liftboats, jack-up rigs and offshore support logistics services segments for FY2018 was 57.9%, 34.1% and 7.5% (FY2017: 50.4%, 39.5% and 9.8%) respectively.



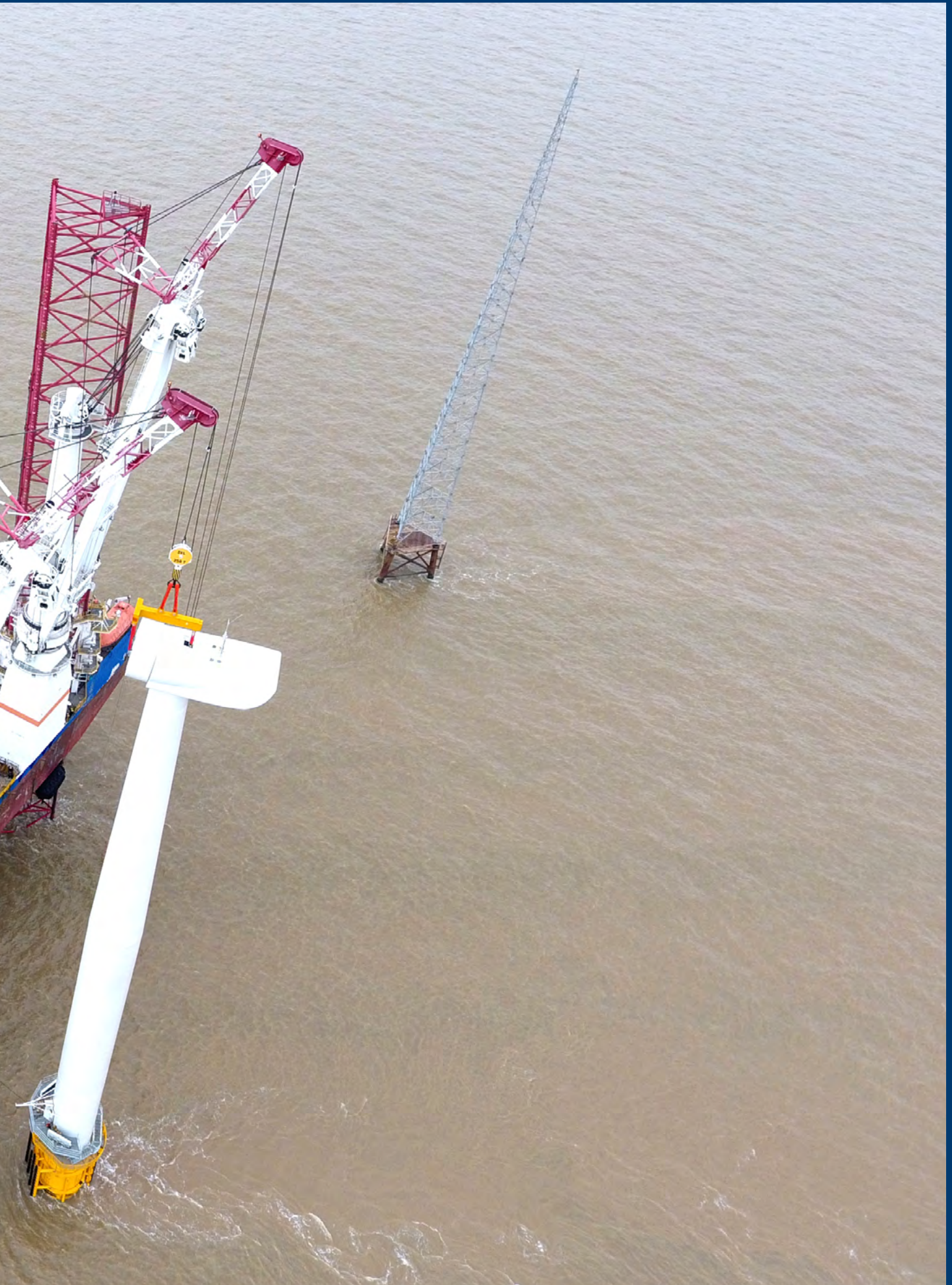


Geographical Segments

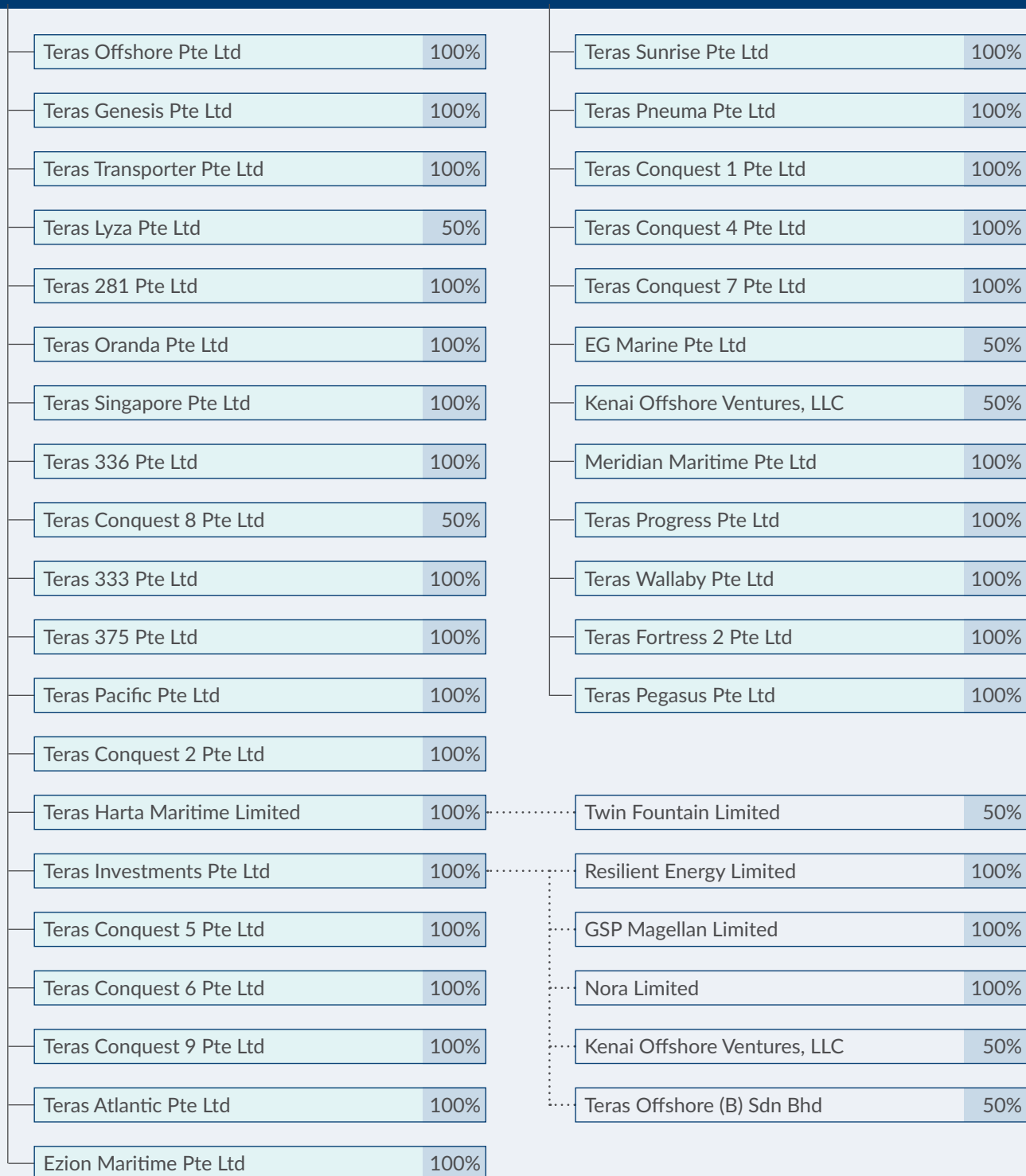
Our revenue contributions based on geographical segments for FY2018 were adequately diversified, reducing geographical market risk. In FY2018, revenue contributed by Singapore, India, Middle East, Brunei, Thailand and

Nigeria amounted to approximately US\$9.5 million or 8.0%, US\$6.3 million or 5.3%, US\$18.8 million or 15.8%, US\$14.0 million or 11.8%, US\$31.9 million or 26.9% and US\$18.1 or 15.2%, respectively, of total revenue.





CORPORATE STRUCTURE



Teras Conquest 3 Pte Ltd	100%	Atlantic Labrador Pte Ltd	100%
TeraSea Pte Ltd	50%	Posh TeraSea Pte Ltd	50%
Ezion Investments Pte Ltd	100%	Strategic Offshore Limited	50%
Eminent Offshore Logistics Pte Ltd	50%	ES Indonesia Pte Ltd	100%
Atlantic Tiburon 1 Pte Ltd	100%	Teras Oranda Ltd	100%
Atlantic Tiburon 2 Pte Ltd	100%	Ezion Exerter Limited	100%
Atlantic Tiburon 3 Pte Ltd	100%	Victory Drilling	100%
Atlantic Amsterdam Pte Ltd	100%	Teras Titanium Limited	100%
Atlantic Esbjerg Pte Ltd	100%	Strategic Excellence Limited	50%
Atlantic London Pte Ltd	100%	Teras Maritime Pty Ltd	100%
Teras Singapore 1 Pte Ltd	100%	Teras Offshore (B) Sdn Bhd	50%
Teras Singapore 2 Pte Ltd	100%	Teras BBC Houston (BVI) Limited	100%
Teras Singapore 3 Pte Ltd	100%	Teras Oilfield Support Limited	100%
Teras Singapore 8 Pte Ltd	100%	Jackup Drilling Limited	100%
		Teras Endeavour Limited	100%
		Teras Lisa Limited	100%
		Teras Cargo Logistics Limited	100%
		Teras Atlas Limited	50%
		Teras Orizont Limited	50%
		Teras Fortuna Limited	50%

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Dr Wang Kai Yuen

MEMBERS

Chew Thiam Keng

Tan Woon Hum

Lim Thean Ee

Yee Chia Hsing

AUDIT COMMITTEE

CHAIRMAN

Tan Woon Hum

MEMBERS

Lim Thean Ee

Yee Chia Hsing

REMUNERATION COMMITTEE

CHAIRMAN

Lim Thean Ee

MEMBERS

Tan Woon Hum

Yee Chia Hsing

NOMINATING COMMITTEE

CHAIRMAN

Yee Chia Hsing

MEMBERS

Tan Woon Hum

Lim Thean Ee

REGISTERED ADDRESS

15 Hoe Chiang Road #12-05

Tower Fifteen Singapore 089316

Telephone: (65) 6309 0555

Facsimile: (65) 6222 7848

Website: www.ezionholdings.com

Email: ir@ezionholdings.com

PRINCIPAL FINANCIAL INSTITUTIONS

DBS Bank Ltd

12 Marina Boulevard

DBS Asia Central @ MBFC Tower 3

Singapore 018982

Oversea-Chinese Banking Corporation Limited

65 Chulia Street

OCBC Centre

Singapore 049513

Malayan Banking Bhd

2 Battery Road

Maybank Tower

Singapore 049907

United Overseas Bank Limited

80 Raffles Place

UOB Plaza

Singapore 048624

CIMB Bank Berhad

50 Raffles Place

Singapore Land Tower

Singapore 048623

Caterpillar Financial Services Asia Pte Ltd

14 Tractor Road

Singapore 627973

AUDITORS

KPMG LLP

Partner-in-charge: Lucas Tran

(Appointed since financial year ended 31 December 2017)

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

SHARE REGISTRAR

M&C Services Private Limited

112 Robinson Road #05-01

Singapore 068902

COMPANY SECRETARIES

Lai Kuan Loong, Victor

Tan Wee Sin

Goon Fook Wye Paul

CONTENTS

034

Corporate Governance

.....

050

Directors' Statement

.....

057

Independent Auditors' Report

.....

064

Statements Of
Financial Position

.....

065

Consolidated
Income Statement

.....

066

Consolidated Statement Of
Comprehensive Income

.....

067

Consolidated Statement
Of Changes In Equity

.....

069

Consolidated Statement
Of Cash Flows

.....

071

Notes To The
Financial Statements

.....

195

Shareholders' Information

.....

197

Statistics Of
Warrant Holdings

.....

201

Statistics of
Bond Holdings

.....

203

Notice Of Annual
General Meeting

.....

210

Additional Information On
Directors Seeking Re-election

.....

PROXY FORM

CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and Management of Ezion Holdings Limited ("Ezion" or the "Company") are committed to continually enhancing shareholder value by maintaining high standards of corporate governance, business integrity and professionalism in all its activities.

This report describes the Company's corporate governance framework and practices that were in place throughout the financial year, which are substantially in line with the principles of the Code of Corporate Governance 2012 (the "Code"). Where there are deviations from the Code, appropriate explanations are provided.

The Board noted that the Code of Corporate Governance issued on 6 August 2018 ("2018 Code") applies to annual reports covering financial years commencing from 1 January 2019. Accordingly, the Company will describe its corporate governance practices with specific reference to the principles and provisions of the 2018 Code for the annual report to be issued in year 2020 or thereafter.

BOARD MATTERS

Principle 1	Board's Conduct of Affairs
Principle 2	Board Composition and Guidance

The Company is led by an effective Board comprising a majority of non-executive and independent Directors. Each Director brings to the Board his skills, experience, insights and sound judgment, which together with strategic networking relationships, serves to further the interests of the Company. At all times, the Directors are collectively and individually obliged to act in good faith and consider the best interests of the Company.

The Board currently comprises the following members:

(i)	Dr Wang Kai Yuen	Independent Non-Executive Chairman
(ii)	Mr Chew Thiam Keng	Chief Executive Officer ("CEO") and Executive Director
(iii)	Mr Tan Woon Hum	Independent Non-Executive Director
(iv)	Mr Lim Thean Ee	Independent Non-Executive Director
(v)	Mr Yee Chia Hsing	Independent Non-Executive Director

The Board oversees the business of the Company and assumes responsibility for the overall strategic plans, key operational initiatives, major investment and funding proposals, financial performance reviews and corporate governance practices. The Board provides the direction and goals for the Management and monitors the performance of these goals to enhance the shareholders' value. The Company has in place financial authorisation and approval limits for operating and capital expenditure, procurement of goods and services, acquisitions and disposal of investments and treasury transactions. Within these guidelines, the Board approves transactions above certain thresholds. The Board also approves the financial results for release to the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company has adopted internal guidelines setting forth matters that required Board approval. A summary of matters reserved for the Board is set out below:

- (i) Matters in relation to the overall strategy and management of the Group;
- (ii) Material changes to the Group's management and control structure;
- (iii) Matters involving financial reporting and dividends;
- (iv) Major/strategic acquisitions and disposal of investments not in the ordinary course of business; and
- (v) Matters which require Board approval as specified in the SGX-ST Listing Manual, Companies Act, Cap. 50 or other relevant laws and regulations.

CORPORATE GOVERNANCE REPORT

The Board is supported by three Board Committees, namely the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC"). These committees function within clearly defined terms of reference and operating procedures, which were approved by the Board.

The Board conducts regular scheduled meetings. Adhoc meetings are convened as and when circumstances require. Dates of Board, Board Committee and annual general meetings are scheduled in advance in consultation with the Directors to assist them in planning their attendance. A Director who is unable to attend a Board or Board Committee meeting physically may participate via telephone conference or other electronic and telegraphic means. The Constitution of the Company provides for the meetings to be held via telephone conference and other electronic or telegraphic means; and also for matters requiring decisions of the Board to be approved by way of written resolutions of the Board. The attendance of the directors at Board and Board Committee meetings held during the financial year ended 31 December 2018 ("FY2018") is as follows:

Type of Meetings	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total No. Held	4	4	1	1
Name of Director and Attendance				
Dr Wang Kai Yuen	4	N.A.	N.A.	N.A.
Chew Thiam Keng	4	N.A.	N.A.	N.A.
Tan Woon Hum	4	4	1	1
Lim Thean Ee	4	4	1	1
Yee Chia Hsing	4	4	1	1

N.A. - Not Applicable

New directors will be briefed on the business activities, strategic directions, policies and corporate governance practices of the Group. During the financial year, there is no appointment of director.

Directors are provided with briefings and updates from time to time by professional advisers, auditor and Management on relevant practices, new laws, rules and regulations, directors' duties and responsibilities, corporate governance, changes in accounting standards and risk management issues applicable or relevant to the performance of their duties and responsibilities as Directors. The CEO updates the Board at Board meetings on business and strategic developments of the Group and industry. Informal meetings are held for Management to brief Directors on prospective deals and potential developments in the early stages before formal Board approval is sought.

The Board and Management engage in open and constructive debate for the furtherance and achieving of strategic objectives. All Board members are provided with relevant and sufficient information on a timely basis and non-executive directors may challenge Management's assumptions and also extend guidance to Management, in the best interest of the Group.

The Independent Directors and the non-executive directors hold informal meeting session on a need basis without the presence of Management and other Directors.

Directors are also informed and encouraged to attend relevant training programmes organised by the Singapore Institute of Directors ("SID") and may suggest training topics, the funding of which will be provided by the Company.

CORPORATE GOVERNANCE REPORT

During FY2018, the Directors have attended briefing session on the revised code of corporate governance and listing rules changes organised by SID. Directors were also briefed by the external auditor on the developments in financial reporting, governance standards and issues which have a direct impact on financial statements so as to enable them to discharge their duties and responsibilities as Board members or Board committee members.

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as finance, legal, business and management. Key information regarding the Directors, including directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out in pages 16 and 17 of this Annual Report.

The NC reviews the size and composition of the Board and the Board Committees annually. The NC considers the present board size and composition appropriate taking into account the business and scale of operations. It is of the view that the Board and Board Committees, comprises Directors who have the relevant skills and knowledge, expertise and experiences to discharge the Board's duties as a group.

The NC has reviewed the declaration of independence provided by each of the Independent Non-Executive Director for FY2018. The NC and Board consider a director as independent in accordance with the Code and SGX-ST Listing Rules. There is no Director who is deemed independent by the Board notwithstanding the existence of a relationship as stated in the Code and SGX-ST Listing Rules that would otherwise deem him not to be independent.

In the course of the year, the NC also assessed the independence of Board members in light of Guideline 2.4 of the Code, which requires that the independence of any Director, who has served on the Board beyond nine years, from the date of first appointment, be subject to particularly rigorous review. Dr Wang Kai Yuen, Mr Lim Thean Ee and Mr Tan Woon Hum have served on the Board for more than nine years since their first appointment as Directors.

The NC recognises that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. After particular scrutiny, Dr Wang, Mr Lim and Mr Tan are determined to be independent. They continue to express their viewpoints, debate issues and objectively scrutinise and challenge Management. They also seek clarification and amplification as deemed required in discharging their duties as Independent Directors. After careful consideration of the relevant factors and to avoid an abrupt loss of a member with experience and institutional memory, the Board has determined that the tenure of Dr Wang, Mr Lim and Mr Tan have not affected their independence or ability to bring judgment to bear, in their discharge of their duties as a Board and Board Committees members. In the determination of the independence of Dr Wang, Mr Lim and Mr Tan by the NC, they had recused themselves.

Principle 3 Chairman And Chief Executive Officer

There is a clear separation of the roles and responsibilities of the Chairman and the CEO. This is to ensure appropriate balance of power and authority, accountability and decision-making.

Dr Wang Kai Yuen, who is the Independent Non-Executive Chairman, and Mr Chew Thiam Keng, the CEO of the Company are not related to each other. Therefore, no Lead Independent Director was appointed. The CEO is responsible for the day-to-day management of the affairs of the Company and the Group. He plays a leading role in developing and expanding the businesses of the Group and ensures that the Board is kept updated and informed of the Group's business.

CORPORATE GOVERNANCE REPORT

The Chairman's duties include:

- 1) scheduling meetings and leading the Board to ensure its effectiveness and approves the agenda of Board meetings in consultation with the CEO;
- 2) ensures that Board members are provided with accurate and timely information;
- 3) promote a culture of openness and debate within the Board; and
- 4) ensure high standards of corporate governance and ensure effective communication with shareholders.

Principle 4 Board Membership

NOMINATING COMMITTEE

The NC comprises three Directors, all of whom, including the Chairman are independent. The NC members are:

Mr Yee Chia Hsing (Chairman)
Mr Tan Woon Hum
Mr Lim Thean Ee

The NC's duties include the following:

- Identifying candidates and making recommendations for all Board appointments and re-nomination or continuation in office of any Director;
- review and recommend to the Board the retirement and re-election of directors in accordance with the Company's Constitution at each annual general meeting ("AGM");
- determine the independence of Directors annually;
- review the size and composition of the Board annually to ensure that the Board has appropriate balance of independent directors and to ensure an appropriate balance of expertise, skills, attributes and ability among the Directors; and
- evaluate the performance and effectiveness of the Board as a whole.

On the process for selection, appointment and re-appointment of directors, the NC reviews and assesses candidates for directorship before making recommendations to the Board. In recommending new directors to the Board, the NC takes into consideration the skills and experience and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once in every three years. The Company's Constitution provides that one third of the Board, or the number nearest to one third is to retire by rotation at every AGM. In addition, the Company's Constitution also provides that newly appointed Directors are required to submit themselves for re-nomination and re-election at the next AGM of the Company.

Mr Lim Thean Ee and Mr Yee Chia Hsing, both Independent Non-Executive Directors, will be retiring at the forthcoming AGM pursuant to Article 107 of the Company's Constitution. Both Mr Lim and Mr Yee being eligible, had consented to stand for re-election as Directors at the forthcoming AGM.

The NC has recommended that the above mentioned Directors be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered the Directors' overall contributions and performance.

CORPORATE GOVERNANCE REPORT

The dates of initial appointment and last re-election of each director are set out as follows:

Name of director	Appointment	Date of initial appointment	Date of last re-election
Dr Wang Kai Yuen	Independent Non-Executive Chairman	28 July 2000	30 April 2018
Mr Chew Thiam Keng	CEO and Executive Director	1 March 2007	27 April 2017
Mr Tan Woon Hum	Independent Non-Executive Director	21 March 2007	30 April 2018
Mr Lim Thean Ee	Independent Non-Executive Director	28 July 2000	27 April 2017
Mr Yee Chia Hsing	Independent Non-Executive Director	5 January 2016	27 April 2016

Based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees and their time commitment to the affairs of the Company, the NC believes that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The Board is of the view that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many factors such as whether they were in full time employment and their other responsibilities. If a quantitative limit on the number of directorships was imposed, the NC and the Board might have omitted outstanding individuals who despite the demands on their time had the capacity to participate and contribute as new members of the Board. The NC will assess each Director relative to his abilities and known commitments and responsibilities. There is no alternate director on the Board.

Principle 5 Board Performance

The performance of the Board is ultimately reflected in the long term performance of the Company.

The Board, through the delegation of its authority to the NC, had made its best efforts to ensure each Director possess the experience, knowledge and skills critical to the Group's business. This is necessary to enable the Board to make sound and well-considered decisions. The NC, in considering the nomination of any Director for re-election, will evaluate the performance of the Director involved taking into account factors such as that existing director's attendance, participation and contribution.

A process is in place to assess the performance and effectiveness of the Board as a whole. The evaluation of the Board is conducted annually through a questionnaire designed to assess the performance of the Board and its Board Committees and enhance the overall effectiveness of Directors. The performance criteria for the Board evaluation are based on financial and non-financial indicators such as evaluation of the size and composition of the Board, the Board's access to information, Board's processes, strategy and planning, risk management, accountability, Board's performance in relation to discharging its principal functions, communication with Management and standards of conduct of the Directors which do not change yearly. The Board evaluation results were discussed with the NC and the Board. Key actions were mapped with the goal of enhancing the effectiveness of Board and Board Committees.

Renewal or replacement of Directors, if any, does not necessarily reflect their contribution to date, but may be driven by the need to position and shape the Board in line with the needs of the Company and its business.

The Chairman of the NC confers with the Chairman of the Board on the findings and appropriate follow-up actions are taken as necessary. The Board is satisfied that all Directors have discharged their duties adequately for FY2018 and expects that the Directors will continue to discharge their duties adequately in FY2019.

CORPORATE GOVERNANCE REPORT

Principle 6 Access to Information

The Board members are provided with adequate and timely information prior to Board meetings and on an ongoing basis. All relevant information including the Group's forecast, annual budgets and financial statements are circulated to the Directors for review prior to the Board meetings.

The Board has separate and independent access to the Group's senior management and the advice and services of the Company Secretaries who are responsible to the Board for ensuring board procedures are followed and that the Company's Constitution, the relevant statutory rules and regulations are complied with. Requests for information from the Board are dealt with promptly and the Board is informed of all material events and transactions as and when they occur.

Under the Constitution of the Company, the decision to appoint or remove the Company Secretaries can only be taken by the Board as a whole. At least one of the Company Secretaries will be present at Board and Board Committee meetings.

Should directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional advisor to render advice at its own cost.

REMUNERATION MATTERS

Principle 7 Procedures for Developing Remuneration Policies

Principle 8 Level and Mix of Remuneration

Principle 9 Disclosure in Remuneration

The RC comprises three Directors, all of whom including the Chairman are independent. The RC members are as follows:

Mr Lim Thean Ee (Chairman)
Mr Tan Woon Hum
Mr Yee Chia Hsing

The duties of the RC include the following:

- review and recommend to the Board an appropriate and competitive framework of remuneration for the Directors and key management personnel of the Group;
- recommend to the Board specific remuneration packages for each Executive Director, taking into account factors including remuneration packages of Executive Directors in comparable industries as well as the performance of the Company and that of the Executive Directors;
- review and make recommendation on the fees of Independent Non-Executive Directors for approval by the Board;
- ensure the remuneration policies and systems of the Group support the Group's objectives and strategies; and
- administration of the Ezion Employee Share Option Scheme.

The remuneration policy for key management personnel is based largely on the Group's performance and the responsibilities and performance of each individual key management personnel. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and local practices. The RC recommends the remuneration packages of key management personnel for Board's approval.

CORPORATE GOVERNANCE REPORT

The remuneration package adopted for the Executive Director is as per the service contract entered into between the Director and the Company. The RC will review and recommend the specific remuneration package for each Executive Director upon recruitment. Thereafter, the RC reviews subsequent increments, bonuses and allowances where these payments are discretionary against the achievement of prescribed goals and targets for the CEO and Executive Director. No Director or member of the RC is involved in deciding his own remuneration.

The RC reviews the terms of compensation and employment for Executive Directors at the time of their respective employment or renewal (where applicable) including considering the Company's obligations in the event of termination of services to ensure such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Independent Non-Executive Directors do not have any service contracts with the Company. Save for Directors' fees, Independent Non-Executive Directors do not receive any remuneration from the Company.

Directors' fees are set in accordance with a remuneration framework comprising basic fees and additional fees for serving on any of the committees having regards to the scope and extent of a Director's responsibilities and obligations, the prevailing market conditions and referencing Directors' fees against comparable benchmarks. Directors' fees are subject to approval of shareholders of the Company as a lump sum payment at the AGM of the Company.

The RC has access to the appropriate advice from the Head of Human Resources who attends all RC meetings and also external professional advice on remuneration matters, if required. The RC will ensure that existing relationships, if any, between the Company and its appointed external professional consultants will not affect their independence and objectivity.

The Company has in place the Ezion Employee Share Option Scheme administered by the RC. Details of the Scheme is disclosed under the Directors' Statement set out in pages 51 to 54 of this Annual Report. The Ezion Employee Share Plan had expired on 29 April 2018.

REMUNERATION OF DIRECTORS

Taking note of the competitive pressures in the industry and the talent market, the Board has on review decided to disclose the remuneration of the Directors, in bands with a breakdown of the components in percentage. Information on the remuneration of Directors of the Company for FY2018 is as follows:

Remuneration Band and Name of Directors	Fees %	Salary & CPF %	Bonus & CPF %	Other Benefits %	Total %
US\$500,000 and below					
Chew Thiam Keng	–	87	8	5	100
Below US\$250,000					
Dr Wang Kai Yuen	100	–	–	–	100
Lim Thean Ee	100	–	–	–	100
Tan Woon Hum	100	–	–	–	100
Yee Chia Hsing	100	–	–	–	100

CORPORATE GOVERNANCE REPORT

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The Company adopts a remuneration system that is responsive to the market elements and performance of the Company and business divisions respectively. Taking note of the competitive pressures in the talent market, the Board has, on review, decided not to disclose the names of the Group's top ten key management personnel (who is not a Director or CEO of the Company) as such confidential and sensitive information could be exploited by the competitors. All the ten key management personnel received total remuneration of less than US\$300,000 each for FY2018.

Key information on the key management personnel is set out in pages 18 and 19 of this Annual Report.

The Company's compensation framework comprises fixed pay, short-term and long-term incentives. The Company subscribes to linking executive remuneration to corporate and individual performance. Long-term incentive schemes are put in place to motivate and reward employees and align their interests to maximise long-term shareholder value.

For the financial year, there were no termination, retirement and post-employment benefits granted to any Director, the CEO and key management personnel other than the payment in lieu of notice in the event of termination in their respective employment contracts, where applicable. There are no provisions in the Executive Directors and key management contracts, to allow the Company to reclaim incentive components of remuneration in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company.

There are no employees within the Group who are immediate family members of a Director or the CEO whose remuneration exceeds S\$50,000 during the financial year.

ACCOUNTABILITY AND AUDIT

Principle 10 Accountability

The Board, through its announcements of the Group financial results to shareholders, aims to present a balanced and understandable assessment of the Group's financial position and prospects.

In preparing the financial statements, the Directors have:

- (i) selected suitable accounting policies and applied them consistently;
- (ii) made judgments and estimates that are reasonable and prudent;
- (iii) ensured that all applicable accounting standards have been followed; and
- (iv) prepared financial statements on the basis that the Directors have reasonable expectations, having made enquires, that the Group and Company have adequate resources to continue operations for the foreseeable future.

The Board also reviews the legal and regulatory compliance reports from Management to ensure compliance with the relevant legislative and regulatory requirements. The Management provides the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

CORPORATE GOVERNANCE REPORT

Principle 11 Risk Management and Internal Controls

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk.

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework. To enhance the effectiveness of the ERM framework, the Group implemented Orion ERM system, a third party software that automates the risk management, internal control and assurance functions and enables these functions to be managed on an integrated platform.

The AC oversees risk governance which includes the following roles and responsibilities:

- proposes the risk governance approach and risk policies for the Group to the Board;
- reviews the risk management methodology adopted by the Group;
- reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by Management; and
- reviews Management's assessment of risks and Management's action plans to mitigate such risks.

Management presented an annual report to the AC and the Board on the Group's risk profile, the risk mitigation action plans and the results of various assurance activities carried out on the adequacy and effectiveness of the Group's risk management and internal controls systems including financial, operational, compliance and information technology controls. Such assurance activities include control self-assessments performed by Management, internal audit, external audit, external certifications conducted by various external professional service firms, and enterprise risk assessment performed by the Management and facilitated by consultant.

In respect of FY2018, the Board has received assurance from the CEO and Acting Chief Financial Officer:

- (a) that financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's risk management and internal control systems are effective and adequate. The CEO and Acting Chief Financial Officer have obtained assurance from the respective risk and control owners

Based on the risk management framework and internal controls established and maintained by the Group, work performed by the internal and external auditors, external certification firms and reviews performed by Management, various Board Committees and the Board, the Board (with concurrence of the AC) are of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems, were adequate and effective as at 31 December 2018.

CORPORATE GOVERNANCE REPORT

The Board notes that system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Principle 12 Audit Committee

The AC comprises three Directors, all of whom including the Chairman are independent. The AC members are:

Mr Tan Woon Hum (Chairman)
Mr Lim Thean Ee
Mr Yee Chia Hsing

The Board is of the view that the members of the AC have the relevant accounting or related financial management expertise and experience to discharge their duties.

The AC performs the following functions:

- (a) review with the external auditors the scope and results of the audit, their evaluation of the system of internal accounting controls, their management letter and management's response;
- (b) review with the internal auditors, their audit plan, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational, compliance and information technology risks;
- (c) review the quarterly and annual financial statements, including announcements to shareholders and the SGX-ST prior to submission to the Board so as to ensure the integrity of the Company's financial statements;
- (d) review any significant findings and recommendations of the external and internal auditors and related Management response and assistance given by the Management to auditors;
- (e) review interested person transactions to ensure that the review procedures approved by the shareholders are adhered to;
- (f) conduct annual review of the independence and objectivity of the external auditor, including the volume of non-audit services provided by the external auditor, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor before confirming their re-nomination; and
- (g) oversees risk governance (refer to detailed disclosure under Principle 11).

The AC has full access to and receives full co-operation from Management, and has full discretion to invite members of Management to attend its meetings and has been given reasonable resources to enable it to discharge its functions. The external auditor have direct and unrestricted access to the AC, which is empowered to conduct or authorise investigations into any matters within its terms of reference.

CORPORATE GOVERNANCE REPORT

The AC has reviewed the overall scope of the external audit and the assistance given by the Company's officers to the auditor. It met with the Company's external auditor to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls.

The AC meets annually with the external and internal auditors, without the presence of Management.

The Company has in place a whistle blowing policy, details of which have been made available to all employees, to provide a channel for staff to raise in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The objective of such a policy is to ensure independent investigation of such matters and for appropriate follow-up action. The complaint can be made through email and mail, both administered by Yang Lee & Associates, which reports directly to the AC on all such matters. There were no complaints received by the AC for FY2018.

The AC has reviewed the non-audit service provided by the external auditor for FY2018. The AC is of the view that the provision of this non-audit service does not compromise the independence of the external auditor. Details of the aggregate amount of fees paid to the external auditor for FY2018 and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 146.

During the financial year, the AC reviewed the internal and external audit plans and results of the audits; risk management and internal controls systems; non-audit services rendered by the external auditor as well as the independence and objectivity of the external auditor; and the report on the administration of the whistle blowing policy of the Group.

The AC also reviewed the quarterly financial statements prior to approving or recommending their release to the Board. In the process, it reviewed the key areas of management judgment, critical accounting policies, and any significant changes that would have a material impact on the financial statements.

The Key Audit Matters are set out below:

Key Audit Matters [KAM]	AC commentary on the KAMs, how the matters were reviewed and what decisions were taken
Valuation of the Group's liftboats, jack-up rigs and offshore support logistics vessels	The AC reviewed the outcomes of the valuation process for the Group's liftboats, jack-up rigs and offshore support logistics vessels ("vessels and rigs"). AC had also focused on the key assumptions applied in the determination of the value-in use or fair value less costs of disposal of the cash generating units ("CGUs"). The AC considered the findings of the external auditors, including their assessment of the suitability of valuation methodologies and the underlying key assumptions applied in the determination of the value-in-use or fair value less costs of disposal of the CGUs. The AC was satisfied with the impairment review process, the approach and methodology used during the valuation process

CORPORATE GOVERNANCE REPORT

The Key Audit Matters are set out below: (cont'd)

Key Audit Matters [KAM] (cont'd)	AC commentary on the KAMs, how the matters were reviewed and what decisions were taken (cont'd)
Impact of adopting Singapore Financial Reporting Standards International ("SFRS(I)") in FY2018	The AC reviewed the outcomes of the adoption of SFRS(I) and the valuation process for the Group's election to adopt the fair value of its vessels and rigs as at 1 January 2017 as the 'deemed cost' for accounting under SFRS(I). The AC considered the findings of the external auditors, including their assessment of the suitability of valuation methodologies and the underlying key assumptions applied in the determination of the fair value of the vessels and rigs as at 1 January 2017. The AC has also considered the competence and objectivity of the valuer and the valuation methodology and assumptions used. The AC was satisfied with the valuation review process, the approach and methodology used during the valuation process.
Recoverability of trade receivables	The AC reviewed the aging profile of the trade receivables and had discussed with management on the recoverability on the long outstanding trade receivables and the expected credit losses model. The AC received audit findings from the external auditors on their assessment of the recoverability on the long outstanding trade receivables and the expected credit losses model. The AC was satisfied with the review process, the approach and the justification on the amount of impairment of the trade receivables.
Valuation of interests in joint ventures and associates	The AC discussed with management on their approach to assess the recoverability of investment in joint ventures and associates and the provision for financial guarantees given on behalf of joint ventures. Specifically, the AC evaluated the methodology and basis adopted by management to determine the recoverability of investment in joint ventures and associates and the key assumptions used in determining the amounts of loss allowance recognised for expected credited losses on financial guarantees. The AC also considered the findings from the auditors. The AC was satisfied with the impairment review process, the approach and methodology used during the valuation process.

CORPORATE GOVERNANCE REPORT

The external auditor provides regular updates and briefings to the AC on changes or amendments to accounting standards to enable the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

Neither the members nor the Chairman of the AC are former partners or directors of the Group's auditing firm. None of them have any financial interest in the Group's auditing firm.

Principle 13 Internal Audit

The AC approves the hiring, removal and evaluation of the professional service firm to which the internal audit function was outsourced.

The Company outsources its internal audit functions to Yang Lee & Associates. The internal auditor report directly to the AC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC has reviewed and confirmed that Yang Lee & Associates is a suitable professional service firm to meet the Company's internal audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned engagement director, number and experience of supervisory and professional staff assigned to internal audits.

The AC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the internal auditor to perform its function.

The internal auditor is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

The AC annually reviews the adequacy of the internal audit function to ensure that the internal audits are performed effectively. The AC has reviewed and is satisfied that the internal audit function is independent, effective and adequately resourced.

In relation to FY2018, the IA completed one review in accordance with the internal control testing plan approved by the Board under the Group Risk Management Framework. The findings and recommendations of the IA, Management's responses, and Management's implementation of the recommendations have been reviewed and approved by the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 Shareholder Rights

Principle 15 Communication with Shareholders

Principle 16 Conduct of Shareholder Meetings

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, quarterly and full-year financial results. The Company does not practise selective disclosures and releases its financial results and other material information to the shareholders on a timely basis in accordance with the requirements of the Listing Manual of the SGX-ST, via the SGXNet system. All announcements are also available on the Company's corporate website.

CORPORATE GOVERNANCE REPORT

The Company strongly encourages and supports shareholders participation at general meetings. At general meetings of the Company, shareholders will be given opportunity to express their views, concerns and ask questions regarding the Company and the Group. All shareholders of the Company receive a copy of the annual report, the notice of AGM and circulars and notices pertaining to any extraordinary general meetings of the Company. The notice is also advertised in the newspaper and available on the SGX-ST's website.

The Company's general meetings are the forum for dialogue with shareholders and allow the Board and Management to address shareholders' views and concerns. At the AGMs, all Directors, in particular Chairman of the Board and the respective Chairman of the AC, NC and RC as well as the external auditor of the Company are in attendance to answer queries from shareholders.

Each item of special business included in the notice of the general meetings will be accompanied by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the general meetings.

To facilitate participation by the shareholders, the Company's Constitution allows a shareholder to appoint not more than two proxies to attend and vote at general meetings. With the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, investors who hold the Company's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the general meetings of shareholders. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All minutes of general meetings include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, are available to shareholders upon request. Resolutions are passed at the general meetings by poll voting and conducted in the presence of independent scrutineers for greater transparency in the voting process. The rules, including voting procedures that govern the meeting, will be provided to the shareholders at the general meetings. Detailed results of the outcome will be announced after the general meetings via SGXNet. Electronic poll voting has not been adopted by the Company for the time being as the turnout of the shareholders is still considerably small.

The Company does not have a formal investor relations policy. Pertinent information is regularly conveyed to the shareholders through SGXNet and the Company's website at <http://www.ezionholdings.com>. Shareholders can submit their feedback and raise any question to the Company's investor relations, contact as provided in the Company's corporate website.

There is no formal dividend policy adopted by the Company. Nonetheless, Management will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.

DEALINGS IN SECURITIES

The Company has adopted an internal policy with regard to dealings in securities to provide guidance for its Directors and employees.

The Company's policy provides that Directors and employees of the Group are prohibited from dealing in securities of the Company when they are in possession of any unpublished material price-sensitive information of the Group. The Company's policy also prohibits the Directors and employees from trading in the Company's securities during the period commencing one month and two weeks before the date of announcement of the Company's full year or quarterly results respectively and ending on the date of announcement of the relevant results.

CORPORATE GOVERNANCE REPORT

Directors and employees are also required to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors and employees are expected not to deal in the Company's securities for short-term considerations.

INTERESTED PERSON TRANSACTIONS ("IPTs") POLICY

The Company has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis.

There were no IPTs during the financial year ended 31 December 2018.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interests of its CEO, Directors or Controlling Shareholders.

SUSTAINABILITY REPORTING

Ezion upholds the highest possible standards of responsible, sustainable and socially aware business practices. We are committed to incorporating sustainability in our corporate culture and improving the economic, environmental and social wellbeing of our stakeholders. We prudently balance economic viability with sustainability and social progress for future generations.

The Group has assigned a Sustainability task force for our sustainability reporting, to monitor our sustainability performance and the implementation of our sustainability policies and measures. We endeavour to streamline our business operations to improve efficiency and conserve resources.

Below is a summary table of the material topics in line with the Global Reporting Initiative standards that are relevant to the Group and our stakeholders.

Economic	Environmental	Social
Market Presence	Energy	Occupational Health and Safety
Indirect Economic Impacts	Biodiversity	Local Communities
Procurement Practices	Emissions	Customer Health and
Anti-Corruption	Effluents and Waste	Safety Socioeconomic Compliance
	Environmental Compliance	

More information on the Group's efforts on sustainability management in FY2018 can be found in our 2018 Sustainability Report which will be published by May 2019.

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS

PROCEEDS	DESCRIPTION OF USE OF PROCEEDS	REMAINING AS AT 4 APRIL 2019
Net proceeds of approximately S\$19.47 million from the issuance of 96,153,000 new ordinary shares in the capital of the Company	Business expansion or pursuit of new business opportunities; repayment of certain contributions made by some of the Company's secured lenders (including contributions towards corporate overheads and coupon payments for the Series 004 S\$60,000,000 4.60% notes due 2018 (ISIN: SG57D3995685) and Series 006 S\$55,000,000 5.10% notes due 2020 (ISIN: SG6PB3000008) issued under the S\$1,500,000,000 Multicurrency Debt Issuance Programme); and general working capital.	S\$13.45 million

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

- (a) the financial statements set out on pages 64 to 194 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors in office at the date of this statement are as follows:

Chew Thiam Keng
Dr Wang Kai Yuen
Lim Thean Ee
Tan Woon Hum
Yee Chia Hsing

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Direct		Deemed	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
The Company				
Dr Wang Kai Yuen	711,400	711,400	–	–
Lim Thean Ee	2,100,000	2,100,000	–	–
Chew Thiam Keng	27,259,440	27,259,440	190,324,000	190,324,000
Tan Woon Hum	299,520	299,520	650,000	650,000

DIRECTORS' STATEMENT

By virtue of Section 7 of the Act, Chew Thiam Keng, is deemed to have interests in the subsidiaries of the Company, all of which are wholly-owned, at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed under the "Share Options" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

Ezion Employee Share Option Scheme

The Ezion Employee Share Option Scheme (the "Scheme") was approved and adopted by its members at an Extraordinary General Meeting held on 23 November 2009. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Lim Thean Ee, Tan Woon Hum and Yee Chia Hsing.

Other information regarding the Scheme is set out below:

Option granted on 11 October 2011 ("Grant Date 1")

- The exercise price of each option is fixed at S\$0.259.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 11 October 2012 to 11 October 2021:
 - i. 20% of the options shall vest after the end of first anniversary of Grant Date 1;
 - ii. 50% of the options shall vest after 31 March 2013; and
 - iii. 30% of the options shall vest after 31 March 2014.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

DIRECTORS' STATEMENT

Option granted on 7 June 2012 ("Grant Date 2")

- The exercise price of each option is fixed at S\$0.462.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 June 2013 to 7 June 2022:
 - i. 30% of the options shall vest after the end of first anniversary of Grant Date 2;
 - ii. 30% of the options shall vest after the end of second anniversary of Grant Date 2; and
 - iii. 40% of the options shall vest after the end of third anniversary of Grant Date 2.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

Option granted on 21 January 2013 ("Grant Date 3")

- The exercise price of each option is fixed at S\$0.973.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 21 January 2015 to 21 January 2023:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 3;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 3; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 3.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

Option granted on 16 January 2015 ("Grant Date 5")

- The exercise price of each option is fixed at S\$1.011.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 16 January 2017 to 16 January 2025:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 5;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 5; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 5.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

DIRECTORS' STATEMENT

Option granted on 9 March 2016 ("Grant Date 6")

- The exercise price of each option is fixed at S\$0.489.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 9 March 2018 to 9 March 2026:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 6;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 6; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 6.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

Option granted on 13 April 2018 ("Grant Date 7")

- The exercise price of each option is fixed at S\$0.189.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 13 April 2020 to 13 April 2028:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 7;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 7; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 7.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

DIRECTORS' STATEMENT

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2018 '000	Options granted '000	Options cancelled '000	Options outstanding at 31 December 2018 '000	Number of option holders at 31 December 2018	Exercise period
11/10/2011	S\$0.259	2,245	–	–	2,245	1	11/10/2012 to 11/10/2021
7/6/2012	S\$0.462	1,828	–	(641)	1,187	8	7/6/2013 to 7/6/2022
21/1/2013	S\$0.973	7,682	–	(6,126)	1,556	34	21/1/2015 to 21/1/2023
16/1/2015	S\$1.011	11,700	–	(9,700)	2,000	52	16/1/2017 to 16/1/2025
9/3/2016	S\$0.489	7,140	–	(6,040)	1,100	62	9/3/2018 to 9/3/2026
13/4/2018	S\$0.189	–	32,838	–	32,838	77	13/4/2020 to 13/4/2028
		30,595	32,838	(22,507)	40,926		

Except for the above, there are no other share options forfeited, expired, cancelled or exercised since commencement of Scheme to 31 December 2018.

Details of options granted to the directors of the Company are as follows:

Name of director	Options granted for financial year ended 31 December 2018	Aggregate options granted since commencement of Scheme to 31 December 2018	Aggregate options exercised since commencement of Scheme to 31 December 2018	Aggregate options cancelled since commencement of Scheme to 31 December 2018	Aggregate options outstanding as at 31 December 2018
Chew Thiam Keng	–	8,130,587	–	(1,540,000)	6,590,587
Lim Thean Ee	–	819,978	(239,600)	(120,000)	460,378
Tan Woon Hum	–	874,929	(230,400)	(120,000)	524,529
Dr Wang Kai Yuen	–	863,465	(331,200)	(120,000)	412,265
Yee Chia Hsing	–	100,000	–	–	100,000
	–	10,788,959	(801,200)	(1,900,000)	8,087,759

DIRECTORS' STATEMENT

Employee Share Plan

The Employee Share Plan (the "Plan") was approved and adopted by members of the Company at the Extraordinary General Meeting held on 20 April 2008. The Plan is administered by a committee comprising the directors of the Company. No treasury shares had been awarded to employees under the Plan in 2018.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this statement are:

Tan Woon Hum	(Chairman and independent director)
Lim Thean Ee	(Independent director)
Yee Chia Hsing	(Independent director)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption and approval; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

DIRECTORS' STATEMENT

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Dr Wang Kai Yuen
Director

Chew Thiam Keng
Director

4 April 2019

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ezion Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 194.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 to the financial statements which indicates that the Group incurred a net loss of US\$344,339,000 for the year ended 31 December 2018 and, as of that date, the Group and the Company are in net liabilities position of US\$254,752,000 and US\$790,768,000 respectively. Additionally, the Company has net current liabilities of US\$318,697,000 as at 31 December 2018.

Notwithstanding these financial circumstances, the financial statements have been prepared on a going concern basis, the validity of which is premised on:

- (i) The continuing support of the Group's lenders;
- (ii) The expectation and ability of the Group to generate adequate cash flows and to repay its debt obligations as and when they fall due within the next twelve months; and
- (iii) The successful completion of the Debt Assignment Agreements and Conditional Debt Conversion Agreement to capitalise up to US\$916,000,000 of the Group's debt into share capital of the Company.

If for any reason the above assumptions do not materialise, which may result in the Group and the Company not being able to continue as a going concern, it could have an impact on the classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the Group's liftboats, jack-up rigs and offshore support logistics vessels [Refer to Note 5 to the financial statements]

The key audit matter

As at 31 December 2018, the Group's liftboats, offshore support logistics vessels and jack-up rigs ("vessels and rigs") amounted to US\$918.7 million, net of cumulative impairment losses of US\$158.6 million.

As a result of the continuing challenging industry conditions, the Group recognised additional impairment losses of US\$80.2 million on the vessels and rigs during the year. The impairment loss was calculated based on the recoverable amount of the vessels and rigs.

The recoverable amount was derived from their value in use by discounting the estimated future cash flows from operating the vessels and rigs or their fair value less costs of disposal. For impairment assessment purpose, each vessel and rig is a separate cash generating unit ("CGU").

The determination of the recoverable amounts is highly judgemental which requires management to forecast the charter rates and utilisation rates from the continuing use of the vessels and rigs, and to discount such forecast cash flows at the appropriate discount rates.

How the matter was addressed in our audit

We assessed the appropriateness of management's identification of the CGUs. We performed our assessment by making inquiry with management and based on our understanding of the Group's operations and its internal management reporting.

We obtained management's value in use calculations for the CGUs and inquired with management with regard to their plans on the deployment of the vessels and rigs.

We assessed the key assumptions relating to forecast charter rates and utilisation rates. This includes:

- back-testing the prior year forecasts to actual performance;
- comparing forecast charter rates to utilisation rates applied during the contract period with the terms in the secured contract agreements; and
- for periods where there is no secured contract, comparing the forecast charter rates and utilisation rates to those achieved in prior periods, taking into account market data and industry information.

We independently calculated the discount rates based on market inputs, and incorporating market, country and asset-specific risk premiums.

Where the fair value less costs of disposal method was adopted, we assessed the appropriateness of the key assumptions and methods used by management to determine the recoverable amount.

We also evaluated the adequacy of the disclosures in the financial statements in respect of the key assumptions and estimates together with the sensitivity analysis, applied in determining the possible range of recoverable amounts of the vessels and rigs.

Findings

Management's identification of CGU is consistent with our understanding of the Group's operations and its internal management reporting.

We found management's estimates and disclosures of the key assumptions used in the value in use and fair value less cost of disposal calculations to be balanced.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

Impact of adopting Singapore Financial Reporting Standards International ("SFRS(I)") in FY2018 [Refer to Note 35 to the financial statements]

The key audit matter

The Group adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018 and prepared its financial statements under SFRS(I) for the first time. In adopting SFRS(I), the Group applied all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* at the date of transition on 1 January 2017.

As permitted by SFRS(I) 1, the Group elected to adopt the fair value of its vessels and rigs as at 1 January 2017 as the 'deemed cost' for accounting under SFRS(I) at the date of transaction.

For this purpose, an independent professional valuer was engaged to assess the valuation of the vessels and rigs using the income approach and/or market approach taking into consideration the industry conditions and the state of market demands as at 1 January 2017.

Additionally, management performed an independent assessment of the reasonableness of the key assumptions used by the independent professional valuer in deriving the fair value of the vessels and rigs.

The deemed cost election resulted in a one-off downward revision of US\$1.1 billion to the carrying amounts of vessels and rigs, with a corresponding decrease in accumulated profits at the date of transition.

Consequently, depreciation expense and impairment loss for the financial year ended 31 December 2017 decreased by US\$75.6 million and US\$618.9 million respectively.

The determination of the fair value is highly judgemental which requires the valuer to forecast the charter rates and utilisation rates from the continuing use of the vessels and rigs, and to discount such forecast cash flows at the appropriate discount rates, taking into account the prevailing market conditions.

How the matter was addressed in our audit

We evaluated the competence and objectivity of the independent professional valuer taking into account their experience and professional qualifications and the lack of financial interest in the Group.

We held discussions with the independent professional valuer to understand the valuation methodology and assumptions used.

We assessed the appropriateness of the key assumptions and methods used by the independent professional valuer and management by reference to available industry data and taking into consideration factors that existed as at the date of transition.

We also considered the adequacy of the disclosures in the financial statements.

Findings

The independent external valuer is a member of generally-recognised body for valuers and have considered their independence in carrying out their work.

The valuation methodology used is in line with generally accepted market practices. The key assumptions used by the independent valuer and management are within range of available industry data.

We found the disclosures made by the Group to be adequate.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

Recoverability of trade receivables [Refer to Note 10 to the financial statements]

The key audit matter

As at 31 December 2018, the Group has trade receivables of US\$69.3 million, net of accumulated allowance for impairment losses of US\$189.6 million.

In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances for expected credit losses on financial assets. The determination of the loss allowances requires significant judgement and estimates to determine whether the financial assets is credit-impaired, and the best estimate of the ultimate realisation of the amounts receivable from customers.

How the matter was addressed in our audit

We reviewed the Group's estimation process used in determining the amounts of loss allowance recognised for expected credit losses on trade receivables.

Our procedures included:

- analysing the payment history of the selected customers and the receipts subsequent to the year end;
- assessing management's expected credit losses model, by reviewing management's analysis of historical credit losses of its receivables, testing the completeness and accuracy of data inputs in the model, and evaluating the forward looking overlay applied;
- inquiring with management on any known disputes or adverse information about the customer's ability to repay the outstanding amounts; and
- where appropriate, inquiring about the status of on-going discussions between the Group and the customers.

We have also considered the adequacy of disclosures in the financial statements about the extent of estimation and judgement involved in determining the impairment loss allowances.

Findings

We found the estimates used to derive the impairment loss allowance on trade receivables as at 31 December 2018 to be balanced. We found the Group's disclosures in the financial statements with regard to allowance for impairment loss allowances to be appropriate.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

Valuation of interests in joint ventures and associates [Refer to Notes 7 and 8 to the financial statements]

The key audit matter

As at 31 December 2018, the Group's carrying value of investments in and loans to joint ventures and associates ("interests in joint ventures and associates") amounted to US\$134.1 million, comprising US\$31.9 million of listed interests and US\$102.2 million of unlisted interests.

The recoverable amounts of interests in joint ventures and associates are assessed with reference to the fair value of the investments based on the investees' share prices and/or publicly available financial information of the investees.

Where the share price of the listed investment is below the Group's carrying value and for those unlisted interests, management applies judgement to determine whether the investment is supported by the investees' net assets.

The Group also provides financial guarantees to banks in respect of loans granted to joint ventures. Due to the continuing challenging industry conditions and the continued losses incurred by the joint ventures, the Group assessed that the joint ventures are unlikely to be in a position to repay the loans. Accordingly, the Group recognised loss allowances for expected credit losses on these financial guarantees of US\$63.9 million as at 31 December 2018.

Determining the recoverable amount of interests in joint ventures and associates, and the provision for financial guarantees given on behalf of joint ventures is highly judgemental.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

How the matter was addressed in our audit

We inquired with management about their future plans and intentions for the interests in joint ventures and associates.

For unlisted investments or where the share price of the listed investments is lower than the carrying value, we evaluated management's assessment by reading the latest available financial information of the investees to determine whether the Group's investment is supported by the investee's underlying net assets, taking into account relevant publicly available information that may affect the financial position of the investees.

For financial guarantees, we evaluated the Group's estimation process and assessed the key assumptions used in determining the amounts of loss allowance recognised for expected credit losses on financial guarantees. This includes reviewing the significant inputs used by management to estimate the expected credit losses, and considering the reasonableness of the inputs by reference to the credit review assessments performed on the joint ventures.

Findings

We found the assumptions taken by management to determine the recoverable amounts of the interests in joint ventures and associates and financial guarantees to be balanced.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lucas Tran.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

4 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group			Company		
		31 Dec	31 Dec	1 Jan	31 Dec	31 Dec	1 Jan
		2018	2017	2017	2018	2017	2017
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets							
Plant and equipment	5	919,069	984,336	1,098,761	173	179	406
Subsidiaries	6	–	–	–	95,886	144,217	255,878
Loans to subsidiaries	6	–	–	–	372,891	897,378	1,029,636
Joint ventures	7	7,011	42,400	94,298	88	16,021	15,943
Loans to joint ventures	7	88,877	55,720	77,286	25,501	50,876	36,289
Associates	8	16,943	39,523	46,806	14,513	28,338	28,338
Loans to associates	8	21,287	41,294	31,995	21,093	41,168	31,815
Other assets, including derivatives	9	30,385	75,517	4,941	24,266	3,847	2,241
		1,083,572	1,238,790	1,354,087	554,411	1,182,024	1,400,546
Current assets							
Trade receivables	10	69,263	81,524	178,899	7,848	9,383	9,599
Other assets	9	138,075	154,113	164,086	17,571	97,014	68,053
Assets held for sale	11	2,162	9,350	–	–	–	–
Cash and cash equivalents	12	49,029	46,469	204,953	9,237	20,255	149,497
		258,529	291,456	547,938	34,656	126,652	227,149
Total assets		1,342,101	1,530,246	1,902,025	589,067	1,308,676	1,627,695
Equity							
Share capital	13	930,509	648,940	648,940	930,509	648,940	648,940
Perpetual securities	14	14,938	116,499	116,499	14,938	116,499	116,499
Redeemable exchangeable preference shares	15	23,464	23,464	23,464	–	–	–
Reserves	16	3,140	3,259	(1,541)	(767)	(529)	(1,541)
Accumulated (losses)/profits		(1,226,803)	(892,850)	(571,663)	(1,735,448)	(455,058)	798
Total (deficit)/equity		(254,752)	(100,688)	215,699	(790,768)	309,852	764,696
Non-current liabilities							
Other payables	17	29,760	26,355	33,961	85,046	78,941	141,817
Debt securities	18	118,701	361,501	372,040	118,701	361,501	372,040
Financial liabilities	19	1,276,064	13	788,067	822,735	13	112,082
		1,424,525	387,869	1,194,068	1,026,482	440,455	625,939
Current liabilities							
Trade payables	20	72,333	89,057	112,074	69	102	198
Other payables	17	77,572	100,217	42,846	340,328	331,673	110,240
Debt securities	18	–	44,890	–	–	44,890	–
Financial liabilities	19	12,246	1,002,537	331,055	9,246	177,994	122,912
Current tax payable		10,177	6,364	6,283	3,710	3,710	3,710
		172,328	1,243,065	492,258	353,353	558,369	237,060
Total liabilities		1,596,853	1,630,934	1,686,326	1,379,835	998,824	862,999
Total equity and liabilities		1,342,101	1,530,246	1,902,025	589,067	1,308,676	1,627,695

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
Revenue	22	118,696	193,108
Cost of sales		(107,034)	(115,738)
Gross profit		11,662	77,370
Other income		16,211	10,575
Administrative expenses		(15,696)	(17,587)
Other expenses		(388,592)	(342,339)
Results from operating activities		(376,415)	(271,981)
Finance income		7,702	4,513
Finance costs		(44,985)	(36,546)
Fair value adjustments arising from debt refinancing exercise		112,371	-
Net finance gain/(loss) after fair value adjustments	23	75,088	(32,033)
Share of results of joint ventures and associates, net of tax		(40,520)	(16,187)
Loss before tax	24	(341,847)	(320,201)
Tax expense	25	(2,492)	(2,892)
Loss for the year attributable to owners of the Company		(344,339)	(323,093)
Loss per share			
Basic loss per share (cents)	26	(10.91)	(15.95)
Diluted loss per share (cents)	26	(10.91)	(15.95)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 US\$'000	2017 US\$'000
Loss for the year	(344,339)	(323,093)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences relating to financial statements of foreign operations	453	(684)
Exchange differences on monetary items forming part of net investment in foreign operations	(334)	4,478
Effective portion of changes in fair value of cash flow hedges	(238)	1,006
Other comprehensive income for the year, net of tax	(119)	4,800
Total comprehensive income for the year, attributable to owners of the Company	(344,458)	(318,293)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

Attributable to owners of the Company

	Note	Share capital US\$'000	Perpetual securities US\$'000	Redeemable preference shares US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Hedging reserve US\$'000	Statutory reserve US\$'000	Accumulated profits/(losses) US\$'000	Total equity US\$'000
Group										
At 1 January 2017, as previously stated		648,940	116,499	23,464	(1,480)	(30,008)	(55)	(6)	558,030	1,315,384
Adjustment on initial application of SFRS(I) 1, net of tax (Note 35)		-	-	-	-	30,008	-	-	(1,129,693)	(1,099,685)
Adjusted balance at 1 January 2017		648,940	116,499	23,464	(1,480)	-	(55)	(6)	(571,663)	215,699
Total comprehensive income for the year										
Loss for the year		-	-	-	-	-	-	-	(323,093)	(323,093)
Other comprehensive income										
Foreign currency translation differences relating to financial statements of foreign operations		-	-	-	-	(690)	-	6	-	(684)
Exchange differences on monetary items forming part of net investment in foreign operations		-	-	-	-	4,478	-	-	-	4,478
Effective portion of changes in fair value of cashflow hedges		-	-	-	-	-	1,006	-	-	1,006
Total comprehensive income for the year		-	-	-	-	3,788	1,006	6	(323,093)	(318,293)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Accrued perpetual securities distributions		-	-	-	-	-	-	-	(7,634)	(7,634)
Share-based payment transactions	21	-	-	-	-	-	-	-	1,325	1,325
Share of associate's other reserves		-	-	-	-	-	-	-	8,215	8,215
Total transactions with owners		-	-	-	-	-	-	-	1,906	1,906
At 31 December 2017		648,940	116,499	23,464	(1,480)	3,788	951	-	(892,850)	(100,688)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Note	Attributable to owners of the Company							Total equity
		Share capital	Perpetual securities	Redeemable preference shares	Treasury shares	Foreign currency translation reserve	Hedging reserve	Accumulated (losses)/profits	
		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	(892,850)	(100,688)
Adjustment on initial application of SFRS(I) 9, net of tax (Note 35)		-	-	-	-	-	-	(2,306)	(2,306)
Adjusted balance at 1 January 2018		648,940	116,499	23,464	(1,480)	3,788	951	(895,156)	(102,994)
Total comprehensive income for the year									
Loss for the year		-	-	-	-	-	-	(344,339)	(344,339)
Other comprehensive income									
Foreign currency translation differences relating to financial statements of foreign operations		-	-	-	-	453	-	-	453
Exchange differences on monetary items forming part of net investment in foreign operations		-	-	-	-	(334)	-	-	(334)
Effective portion of changes in fair value of cashflow hedges		-	-	-	-	-	(238)	-	(238)
Total comprehensive income for the year		-	-	-	-	119	(238)	(344,339)	(344,458)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Accrued perpetual securities distributions		-	-	-	-	-	-	860	860
Issue of shares		206,716	-	-	-	-	-	-	206,716
Issue of shares from conversion of perpetual securities		74,853	(74,853)	-	-	-	-	-	-
Redemption of perpetual securities		-	(26,708)	-	-	-	-	11,041	(15,667)
Share-based payment transactions		-	-	-	-	-	-	791	791
Total transactions with owners	21	281,569	(101,561)	-	-	-	-	12,692	192,700
At 31 December 2018		930,509	14,938	23,464	(1,480)	3,907	713	(1,226,803)	(254,752)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
Cash flows from operating activities			
Loss for the year		(344,339)	(323,093)
Adjustments for:			
Income tax expense	25	2,492	2,892
Depreciation expense	5	50,874	66,485
Gain on disposal of:			
- plant and equipment		(960)	(86)
- gain on disposal of subsidiaries	27	-	(9,554)
Gain on derecognition of an associate	8	(6,397)	-
Foreign exchange (gain)/loss, net		(2,987)	31,617
Financial guarantee income provided to joint ventures		-	(36)
Fair value adjustments arising from debt refinancing exercise	23	(112,371)	-
Finance income	23	(7,702)	(4,513)
Finance costs	23	44,985	36,546
Net impairment losses on:			
- plant and equipment	5	80,173	78,379
- trade receivables	32	2,137	110,157
Loss allowances for ECLs on financial guarantees to joint ventures	19	63,852	-
Reversal of financial guarantees to joint ventures		8,081	-
Write off of loans to joint venture	7	92,792	32,704
Write off of other assets	9	109,875	56,715
Equity-settled share-based payment transactions	21	791	1,325
Share of results of joint ventures and associates, net of tax		40,520	16,187
		21,816	95,725
Changes in:			
Trade receivables and other assets		695	(1,460)
Trade and other payables		(10,193)	(28,836)
Cash generated from operating activities		12,318	65,429
Tax paid		(2,504)	(2,811)
Net cash from operating activities		9,814	62,618
Cash flows from investing activities			
Advance payments for purchase of plant and equipment		-	(19,124)
Interest received		3,782	2,915
Investment in joint ventures		(124,617)	(4,440)
Investment in associates		-	(14,653)
Proceeds from disposal of plant and equipment		8,694	603
Proceeds from disposal of assets held for sale		9,350	-
Purchase of plant and equipment		(65,347)	(35,875)
Net cash used in investing activities		(168,138)	(70,574)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
Cash flows from financing activities			
Interest paid		(22,196)	(36,858)
Net proceeds from issuance of ordinary shares		15,254	–
Proceeds from borrowings		305,699	39,862
Repayment of borrowings		(136,080)	(156,067)
Net cash from/(used in) financing activities		162,677	(153,063)
Net increase/(decrease) in cash and cash equivalents		4,353	(161,019)
Cash and cash equivalents at 1 January		46,469	204,953
Effect of exchange rate fluctuations on cash held		(1,793)	2,535
Cash and cash equivalents at 31 December	12	49,029	46,469

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 4 April 2019.

1. DOMICILE AND ACTIVITIES

Ezion Holdings Limited (the “Company”) is incorporated in Singapore. The address of the Company’s registered office is 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316.

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company, its subsidiaries and joint operations (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in equity-accounted investees.

The principal activities of the Company are those of investment holding company and the provision of management services to its subsidiaries. The principal activities of the significant subsidiaries are set out in Note 6 to the financial statements.

2. GOING CONCERN

The financial statements have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of US\$344,339,000 for the year ended 31 December 2018, and as of that date, the Group and the Company are in net liabilities position of US\$254,752,000 and US\$790,768,000 respectively. As at that date, the Company also has net current liabilities of US\$318,697,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern.

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

- (i) During the financial year, the Group successfully completed the debt refinancing exercise involving the banks and noteholders. This deferred the Group’s and the Company’s repayment of loans beyond the next financial year. In addition, an aggregate amount of up to US\$109,000,000 in revolving credit facilities was granted to the Group for general working capital purposes up to April 2023, of which US\$51,000,000 has been drawn down as at 31 December 2018;
- (ii) The Group expects that it will generate adequate cash flows to repay its debt obligations as and when they fall due within the next twelve months from the date of this report; and
- (iii) The successful completion of the Debt Assignment Agreements between Yinson Eden Pte. Ltd. and the Group’s lenders, and the Conditional Debt Conversion Agreement to capitalise debts of up to US\$916,000,000 into share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. GOING CONCERN (CONT'D)

Having regard to the above, management has reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for at least the next twelve months from the reporting date.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 35.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise disclosed in the notes below.

3.3 Functional and presentation currency

These financial statements are presented in United States dollars ("US\$"), which is the Company's functional currency. All financial information presented in US\$ have been rounded to the nearest thousand, unless otherwise stated.

3.4 Use of estimates and judgements

The preparation of financial statements in conformity with SFRS(I) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

4.1 Basis of consolidation

(i) Business combinations

Acquisitions from 1 January 2017

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 Business Combination as at the date of acquisition, which is the date on which control is transferred to the Group.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(v) Joint operations

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

4.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (2017: available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)); and
- qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to US\$ at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to US\$ at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Foreign currency (cont'd)

(ii) Foreign operations (cont'd)

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in OCI, and are presented in the foreign currency translation reserve in equity.

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such exchange differences are reclassified to OCI in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to profit or loss as an adjustment to the gain or loss arising on disposal.

4.3 Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses. The cost of certain items of plant and equipment at 1 January 2017, the Group's date of transition to SFRS(I), was determined with reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the shorter of period to next estimated dry-docking and five years. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off in the month of the next dry-docking.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets under construction are not depreciated.

Depreciation is recognised from the date that plant and equipment are completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Vessels	10 – 25 years
Assets on board the vessels	3 – 23 years
Dry-docking expenditure	5 years
Rig and other oil and gas related assets	10 – 25 years
Renovation, furniture, fittings and office equipment	2 years
Motor vehicles	5 – 7 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018 (cont'd)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018 (cont'd)

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade receivables and other assets (excludes advances to suppliers, prepayments, interest rate swaps used for hedging and available-for-sale financial asset).

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses and foreign currency differences, were recognised in OCI and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Where equity instruments do not have a quoted market price in an active market and other methods of determining fair value do not result in a reliable estimate, the investment is measured at cost less impairment losses.

Available-for-sale financial assets comprised equity securities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Other financial liabilities comprised financial liabilities and trade and other payables (excludes downpayments and advances from customers and deferred revenue).

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, pledged deposits are excluded from cash and cash equivalents.

(vi) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(vi) Derivative financial instruments and hedge accounting (cont'd)

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018 (cont'd)

Cash flow hedges (cont'd)

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, embedded derivatives are not separated from host contracts that are financial assets in the scope of SFRS(I) 9. Instead, the hybrid financial instrument is assessed as a whole for classification of financial assets under SFRS(I) 9. Furthermore, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(vii) Hybrid financial instruments

Hybrid financial instruments issued by the Group comprise convertible debt securities denominated in Singapore dollars that can be converted to ordinary shares at the option of the holder, where the number of shares to be issued is not fixed.

Hybrid financial instruments are instruments that contain bifurcable embedded derivatives. If the Group elects to bifurcate the embedded derivative from the associated debt, the derivative is accounted for at fair value and the host contract is accounted for at amortised cost. If the Group does not elect to bifurcate, the entire hybrid financial instrument is designated at FVTPL.

(viii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Perpetual securities

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution subject to the term and conditions of the securities issued. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities issued and the perpetual capital securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(ix) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'financial liabilities'.

Intra-group financial guarantees – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

4.5 Leases

(i) When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Leases (cont'd)

(ii) When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) When entities within the Group are lessors of a finance lease

When entities within the Group are lessor of the finance lease, the amounts due under the leases, after deduction of unearned charges, are included in "finance lease receivables" as appropriate. The difference between the gross receivable and present value of the receivable is recognised as unearned interest. Interest receivable is recognised over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

(iv) When entities within the Group are lessors of an operating lease

Where the Group leases out assets under operating leases, the leased assets are included in statement of financial position according to their nature and, where applicable, are depreciated in accordance with Group's depreciation policies. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies.

4.6 Inter-company loans

In the Company's financial statements, inter-company loans to subsidiaries are stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investments in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest rate method. The unwinding of the difference is recognised as interest income in profit or loss over the expected repayment period.

Inter-company loans, where settlement is neither planned nor likely to occur in the foreseeable future, are in substance, part of the holding company's net investment in the entities and are stated at cost less accumulated impairment losses.

Such balances are eliminated in full in the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; and
- intra-group financial guarantee contract ("FGC").

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Policy applicable from 1 January 2018 (cont'd)

General approach (cont'd)

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Policy applicable from 1 January 2018 (cont'd)

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Loss allowances for FGCs are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there is objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. The Group considered a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Policy applicable before 1 January 2018 (cont'd)

Loans and receivables (cont'd)

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or less than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Associates and joint ventures

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Impairment (cont'd)

(iii) Non-financial assets (cont'd)

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.8 Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale (held for distribution) are generally measured at the lower of their carrying amount and fair value less costs to sell (fair value less costs to distribute).

Plant and equipment once classified as held for sale are not depreciated.

4.9 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

4.11 Revenue recognition

(i) Chartering and offshore support services

Revenue from chartering and offshore support services relates to chartering of vessels and rigs and is recognised in profit or loss on a straight-line basis over the respective term of the charter.

(ii) Rendering of marine services

Revenue from rendering of marine services is recognised as and when the related service is rendered.

(iii) Management services fees

Management services fees are recognised as and when the related services are rendered.

(iv) Dividend income

Dividend income is recognised in profit or loss when the shareholders' right to receive payment is established.

4.12 Finance income and costs

Finance income comprises interest income. Finance costs comprise interest expense on borrowings. Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous periods. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Tax (cont'd)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.14 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, redeemable exchangeable preference shares and convertible equity and debt securities.

4.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and tax liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment.

4.16 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 36.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5 PLANT AND EQUIPMENT

Group	Assets under construction US\$'000	Vessels US\$'000	Assets on board the vessels US\$'000	Dry-docking expenditure US\$'000	Rig and other oil and gas related assets US\$'000	Renovation, furniture, fittings and office equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost or deemed cost								
At 1 January 2017	183,900	153,455	2,689	27,079	835,543	2,688	711	1,206,065
Additions	35,648	10	-	1,107	632	43	-	37,440
Disposals	-	(795)	(11)	-	-	-	-	(806)
Reclassification to Assets held for sale	-	-	-	-	(129,928)	-	-	(129,928)
Translation differences on consolidation	-	244	-	-	5,217	-	-	5,461
At 31 December 2017	219,548	152,914	2,678	28,186	711,464	2,731	711	1,118,232
Additions	65,977	886	-	2,934	10,498	22	19	80,336
Disposals	-	(41,232)	(2,641)	(3,273)	-	(2)	-	(47,148)
Reclassification to Assets held for sale	-	(2,500)	(3)	-	-	-	-	(2,503)
Translation differences on consolidation	-	(243)	-	-	-	-	-	(243)
At 31 December 2018	285,525	109,825	34	27,847	721,962	2,751	730	1,148,674
Accumulated depreciation and impairment losses								
At 1 January 2017	-	14,949	2,473	4,197	83,030	2,073	582	107,304
Depreciation charge for the year	-	7,259	191	3,512	55,161	317	45	66,485
Disposals	-	(278)	(4)	-	-	-	-	(282)
Reclassification to Assets held for sale	-	-	-	-	(120,578)	-	-	(120,578)
Impairment loss for the year	7,480	13,563	-	-	57,336	-	-	78,379
Translation differences on consolidation	-	28	-	-	2,560	-	-	2,588
At 31 December 2017	7,480	35,521	2,660	7,709	77,509	2,390	627	133,896
Depreciation charge for the year	-	5,660	2	3,176	41,930	82	24	50,874
Disposals	-	(29,686)	(2,625)	(2,598)	-	(1)	-	(34,910)
Reclassification to Assets held for sale	-	(338)	(3)	-	-	-	-	(341)
Impairment loss for the year	48,578	15,921	-	13,369	2,305	-	-	80,173
Translation differences on consolidation	-	(87)	-	-	-	-	-	(87)
At 31 December 2018	56,058	26,991	34	21,656	121,744	2,471	651	229,605
Carrying amounts								
At 1 January 2017	183,900	138,506	216	22,882	752,513	615	129	1,098,761
At 31 December 2017	212,068	117,393	18	20,477	633,955	341	84	984,336
At 31 December 2018	229,467	82,834	-	6,191	600,218	280	79	919,069

During the financial year, the Group acquired plant and equipment with an aggregate cost of approximately US\$80,336,000 (2017: US\$37,440,000) of which approximately US\$5,963,000 (2017: US\$1,565,000) was paid in advance to the suppliers in the previous year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5 PLANT AND EQUIPMENT (CONT'D)

Company	Renovation, furniture, fittings and office equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost or deemed cost			
At 1 January 2017	1,753	711	2,464
Additions	52	–	52
At 31 December 2017	1,805	711	2,516
Additions	20	19	39
At 31 December 2018	1,825	730	2,555
Accumulated depreciation			
At 1 January 2017	1,476	582	2,058
Depreciation charge for the year	234	45	279
At 31 December 2017	1,710	627	2,337
Depreciation charge for the year	21	24	45
At 31 December 2018	1,731	651	2,382
Carrying amounts			
At 1 January 2017	277	129	406
At 31 December 2017	95	84	179
At 31 December 2018	94	79	173

Impairment assessment

Liftboats, jack-up rigs and offshore support logistics vessels (including assets under construction) ("vessels and rigs")

In 2018, due to the continuing challenging industry conditions, the Group re-computed the recoverable amounts of the vessels and rigs. As a result, the Group recognised additional impairment losses of US\$80,173,000 (2017: US\$78,379,000) for the year. The impairment losses were included in 'other expenses' in the consolidated income statement.

For the purpose of impairment assessment, each vessel and rig is a separate cash-generating unit ("CGU") and management estimated the recoverable amounts of the vessels and rigs based on their value in use or fair value less costs of disposal. The fair value was estimated based on recent sale transactions of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5 PLANT AND EQUIPMENT (CONT'D)

The value in use calculation was based on cash flow projections with the following key assumptions:

	Liftboats	Jack-up rigs	Offshore support logistics vessels
Period of cash flow projections	Estimated remaining useful life	Estimated remaining useful life	Estimated remaining useful life
Charter rates			
- FY2019 to FY2021	Actual FY2018 or FY2019 secured charter rates	Actual FY2018 or FY2019 secured charter rates	Actual FY2018 or FY2019 secured charter rates
- FY2022 to end of estimated useful life	An average upward revision of 64% from FY2021	An average upward revision of 49% from FY2021	An average upward revision of 47% from FY2021
Projected utilisation rate upon deployment			
- FY2019	0% - 90% (2017: 50% - 75%)	0% - 90% (2017: 0% - 90%)	20% (2017: 10%)
- FY2020	50% - 90% (2017: 75% - 90%)	0% - 90% (2017: 0% - 90%)	35% - 40% (2017: 35% - 55%)
- FY2021 to end of estimated useful life	80% - 90% (2017: 90%)	0% - 90% (2017: 75% - 90%)	35% - 70% (2017: 35% - 55%)
- Pre-tax discount rate	12.0% (2017: 8.0%)	11.5% (2017: 8.0%)	11.0% (2017: 9.5%)

The cash flow projections were based on forecasts prepared by the management. The key assumptions take into account agreed terms in secured charter contracts, where relevant, recent past experience and existing market conditions. The discount rates applied to the cash flow projections were estimated based on weighted average cost of capital of similar assets. Following the impairment loss recognised in the vessels and rigs, the recoverable amounts are equal to the carrying amounts and any adverse movements in the key assumptions can lead to further impairment losses in future periods.

Security

At 31 December 2018, plant and equipment of the Group with carrying amount of US\$865,703,000 (2017: US\$896,701,000; 1 January 2017: US\$1,009,332,000) are pledged as security to secure the term loans facilities (Note 19).

Assets under construction

Included in assets under construction is an amount of US\$3,058,000 (2017: US\$21,693,000; 1 January 2017: US\$7,442,000), that represents borrowing costs capitalised during the year using a capitalisation rate of 2.58% to 3.12% (2017: 1.88% to 9.50%; 1 January 2017: 2.56% to 5.10%).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5 PLANT AND EQUIPMENT (CONT'D)

The depreciation charge of the Group is recognised in the following line items of profit or loss:

	Group	
	2018	2017
	US\$'000	US\$'000
Cost of sales	50,774	66,128
Administrative expenses	100	357
	50,874	66,485

6 SUBSIDIARIES

	Company		
	2018	2017	1 Jan 2017
	US\$'000	US\$'000	US\$'000
Equity investments, at cost	334,853	295,680	295,835
Impairment losses	(238,967)	(151,463)	(39,957)
	95,886	144,217	255,878
Loans to subsidiaries	1,355,532	1,304,054	1,166,258
Impairment losses	(982,641)	(406,676)	(136,622)
	372,891	897,378	1,029,636
	468,777	1,041,595	1,285,514

Loans to subsidiaries as at 1 January 2017 and 31 December 2017 are classified as loans and receivables. On adoption of SFRS(I) 9, the loans are classified as financial assets at amortised cost.

Except for amounts of US\$613,066,000 (2017: US\$581,432,000; 1 January 2017: US\$505,130,000) which bear interest ranging from 0.25% to 5.0% (2017: 3.65% to 5.10%; 1 January 2017: 3.65% to 5.10%) per annum, the loans to subsidiaries are interest-free. The loans are unsecured and have no fixed terms of repayment. The settlement of these loans is neither planned nor likely to occur in the foreseeable future and hence the loans are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 SUBSIDIARIES (CONT'D)

Impairment losses

The change in impairment loss in respect of equity investments in subsidiaries was as follows:

	2018 US\$'000	2017 US\$'000
At 1 January	151,463	39,957
Impairment losses	87,504	111,506
At 31 December	238,967	151,463

The change in impairment loss in respect of loans to subsidiaries was as follows:

	Company	
	2018 US\$'000	2017 US\$'000
At 1 January	406,676	136,622
Impairment losses	575,965	270,054
At 31 December	982,641	406,676

The impairment losses amounting to US\$87,504,000 (2017: US\$111,506,000) and US\$575,965,000 (2017: US\$270,054,000) in 2018 were recognised in respect of the Company's investments in and loans to subsidiaries as a result of the challenging industry conditions and the recurring losses incurred by these subsidiaries. Management assessed the recoverable amounts for each of the relevant subsidiaries based on the net assets of the subsidiaries, which comprise predominantly vessels and rigs whose recoverable amounts were estimated using the value in use calculations or fair value less costs of disposal as described in Note 5.

A subsidiary is considered significant if its net tangible assets represent 5% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 5% or more than the Group's consolidated pre-tax profits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 SUBSIDIARIES (CONT'D)

Details of the significant subsidiaries are as follows:

Name of significant subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018	2017	1 Jan 2017
			%	%	%
<u>Held by the Company</u>					
Teras Offshore Pte Ltd ¹	Shipping agent and provision of ship chartering services, ship management services and engineering works	Singapore	100	100	100
Teras Conquest 2 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Conquest 5 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Conquest 6 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras 375 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Pneuma Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 SUBSIDIARIES (CONT'D)

Name of significant subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018 %	2017 %	1 Jan 2017 %
Atlantic London Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras 336 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Atlantic Esbjerg Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Atlantic Amsterdam Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Atlantic Tiburon 2 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Atlantic Tiburon 3 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Ezion Investments Pte Ltd ¹	Investment holding	Singapore	100	100	100
Kenai Offshore Ventures, LLC ²	Ship owner and provision of ship chartering services	United States of America	100	100	100
Teras Conquest 1 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Conquest 4 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Conquest 3 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 SUBSIDIARIES (CONT'D)

Name of significant subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018 %	2017 %	1 Jan 2017 %
Teras Fortress 2 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Atlantic Tiburon 1 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Investments Pte Ltd ¹	Investment holding	Singapore	100	100	100
Meridian Maritime Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Sunrise Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Wallaby Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Atlantic Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Singapore Pte Ltd ¹	Provision of financing services	Singapore	100	100	100
Teras Oranda Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100
Teras Progress Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 SUBSIDIARIES (CONT'D)

Name of significant subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018	2017	1 Jan 2017
			%	%	%
<u>Held by Teras Investments Pte Ltd</u>					
Other indirect significant subsidiaries:					
GSP Magellan Limited ³	Ship owner and provision of ship chartering services	Malaysia	100	100	100
Nora Limited ³	Ship owner and provision of ship chartering services	Malaysia	100	100	100
<u>Held by Ezion Investments Pte Ltd</u>					
Other indirect significant subsidiaries:					
Teras Oranda Limited ²	Ship owner, provision of ship chartering services and cargo transportation	British Virgin Islands	100	100	100
Victory Drilling Limited ⁴	Ship owner and provision of ship chartering services	Mauritius	100	100	100
Jackup Drilling Limited ⁴	Ship owner and provision of ship chartering services	Mauritius	100	100	100
Ezion Exerter Limited ⁴	Ship owner and provision of ship chartering services	Mauritius	100	100	100
Teras Endeavour Limited ⁴	Ship owner and provision of ship chartering services	Mauritius	100	100	100
Teras Maritime Pty Ltd ⁵	Ship owner and provision of ship chartering services	Australia	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 SUBSIDIARIES (CONT'D)

Name of significant subsidiaries	Principal activities	Country of incorporation	Ownership interest		
			2018 %	2017 %	1 Jan 2017 %
<u>Held by Ezion Investments Pte Ltd (cont'd)</u>					
Teras Cargo Logistics Limited ²	Investment holding	British Virgin Islands	100	100	100
Teras Titanium Limited ⁴	Ship owner and provision of ship chartering services	Mauritius	100	100	100
<u>Held by Teras Conquest 3 Pte Ltd</u>					
Other indirect significant subsidiary:					
Atlantic Labrador Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100	100

1 Audited by KPMG LLP, Singapore.

2 Not required to be audited in accordance with the law of the country of incorporation.

3 Audited by PKF, Malaysia.

4 Audited by KPMG (Mauritius).

5 Audited by RSM, Australia.

7 JOINT VENTURES

	Group			Company		
	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000
Interests in joint ventures	7,011	27,122	79,020	743	743	665
Impairment losses	-	-	-	(655)	-	-
	7,011	27,122	79,020	88	743	665
Financial guarantees for joint ventures	63,852	15,278	15,278	63,852	15,278	15,278
Impairment losses (Note 19)	(63,852)	-	-	(63,852)	-	-
	-	15,278	15,278	-	15,278	15,278
Total interests in joint ventures	7,011	42,400	94,298	88	16,021	15,943
Loans to joint ventures	181,669	88,424	77,286	30,388	50,876	36,289
Write-offs	(92,792)	(32,704)	-	(4,887)	-	-
	88,877	55,720	77,286	25,501	50,876	36,289

Loans to joint ventures as at 1 January 2017 and 31 December 2017 are classified as loans and receivables. On adoption of SFRS(I) 9, the loans are classified as financial assets at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 JOINT VENTURES (CONT'D)

Except for amounts of US\$62,160,000 (2017: US\$16,614,000; 1 January 2017: US\$48,996,000) which bear interest ranging of 2.87% to 6.51% (2017: 5.06% to 8.00%; 1 January 2017: 4.55% to 8.00%) per annum, the loans to joint ventures are interest-free. The loans are unsecured and have no fixed terms of repayment. The settlement of these loans is neither planned nor likely to occur in the foreseeable future and hence the loans are classified as non-current.

Write-offs

During the financial year, the Group and Company wrote off loans to joint ventures of US\$92,792,000 (2017: US\$32,704,000) and US\$4,887,000 (2017: US\$Nil) respectively as there is no realistic prospect of recovery. Management assessed the recoverable amounts of loans to joint ventures based on the financial position of the joint ventures and the loans were written-off for joint ventures that were in net liabilities position.

As at 31 December 2018, the Group has two (2017: four; 1 January 2017: one) joint ventures that are material and a number of joint ventures that are individually immaterial to the Group. All joint ventures are equity accounted. The following are for the material joint ventures:

	TeraSea Pte Ltd ¹ ["Terasea"]	Teras Conquest 8 Pte Ltd ¹ ["TC8"]
Nature of relationship with the Group	Strategic partner principally engaged in investment holding / operation of offshore logistic support vessels' services	
Country of incorporation	Singapore	Singapore
Ownership interest	50% (2017: 50%; 1 January 2017: 50%)	50% (2017: 50%; 1 January 2017: 100%)

¹ Audited by KPMG LLP, Singapore.

The material joint ventures in 2017 were Terasea, Teras Atlas Limited ("Atlas"), Teras Orizont Limited ("Orizont") and Teras Fortuna Limited ("Fortuna"). The material joint venture on 1 January 2017 was Strategic Offshore Limited ("SOL").

The above joint arrangements in which the Group has joint control, are unlisted entities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 JOINT VENTURES (CONT'D)

The following table summarises the financial information of each of the Group's material joint ventures based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of the remaining individually immaterial joint ventures.

	Terasea US\$'000	TCB US\$'000	Total US\$'000
2018			
Revenue	70	3,858	3,928
(Loss)/Profit from operations	(12,208)	353	(11,855)
Total comprehensive income	(12,208)	353	(11,855)
Includes			
- depreciation and amortisation	-	674	674
- interest expense	1,031	476	1,507
Non-current assets	67,921	66,700	134,621
Current assets	6,793	10,653	17,446
Non-current liabilities	(27,282)	(6,544)	(33,826)
Current liabilities	(42,627)	(69,638)	(112,265)
Net assets	4,805	1,171	5,976
Includes:			
- cash and cash equivalents	694	963	1,657
- non-current financial liabilities (excluding trade and other payables and provisions)	(27,282)	-	(27,282)
- current financial liabilities (excluding trade and other payables and provisions)	(4,372)	-	(4,372)

	Terasea US\$'000	TCB US\$'000	Atlas US\$'000	Orizont US\$'000	Fortuna US\$'000	Immaterial joint ventures US\$'000	Total US\$'000
2018							
Group's interest in net assets of investee at beginning of the year	8,959	426	4,697	4,697	6,288	2,055	27,122
Group's share of (loss)/profit from operations	(6,157)	177	(4,697)	(4,697)	(6,288)	1,170	(20,492)
Others	-	-	-	-	-	(407)	(407)
Translation difference	-	-	-	-	-	788	788
Carrying amount of interest in investee at end of the year	2,802	603	-	-	-	3,606	7,011

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 JOINT VENTURES (CONT'D)

	Terasea	Atlas	Orizont	Fortuna	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2017					
Revenue	–	6,123	6,123	6,146	18,392
Profit from operations	16,160	2,393	2,393	3,396	24,342
Total comprehensive income	16,160	2,393	2,393	3,396	24,342
Includes					
- depreciation and amortisation	–	2,749	2,749	2,749	8,247
- interest expense	1,087	956	956	–	2,999
Non-current assets	85,402	33,910	33,910	33,910	187,132
Current assets	6,815	18,620	18,620	6,146	50,201
Non-current liabilities	(69,584)	(33,424)	(33,424)	(24,498)	(160,930)
Current liabilities	(4,715)	–	–	–	(4,715)
Net assets	17,918	19,106	19,106	15,558	71,688
Includes:					
- cash and cash equivalents	700	–	–	–	700
- non-current financial liabilities (excluding trade and other payables and provisions)	31,654	33,424	33,424	24,498	123,000
- current financial liabilities (excluding trade and other payables and provisions)	4,372	–	–	–	4,372

	SOL	Terasea	Atlas	Orizont	Fortuna	Immaterial joint ventures	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2017							
Group's interest in net assets of investee at beginning of the year	66,974	946	–	–	–	11,100	79,020
Group's share of profit/(loss) from operations	4,616	8,013	1,197	1,197	1,698	(11,008)	5,713
Group's contribution during the year	–	–	–	–	–	2,389	2,389
Transfer of assets between joint ventures and joint venture partner	(71,590)	–	3,500	3,500	4,590	–	(60,000) ⁽ⁱ⁾
Carrying amount of interest in investee at end of the year	–	8,959	4,697	4,697	6,288	2,481	27,122

(i) This relates to the consideration receivable from a joint venture partner for the sale of jack-up rigs. These amounts have been transferred to other receivables (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 JOINT VENTURES (CONT'D)

	SOL Total US\$'000
1 January 2017	
Revenue	59,627
Profit from operations	26,067
Total comprehensive income	26,067
Includes	
- depreciation and amortisation	15,553
- interest expense	5,249
- income tax expenses	2,215
Non-current assets	179,464
Current assets	119,368
Non-current liabilities	(91,142)
Current liabilities	(73,759)
Net assets	133,931
Includes:	
- cash and cash equivalents	586
- non-current financial liabilities (excluding trade and other payables and provisions)	21,415
- current financial liabilities (excluding trade and other payables and provisions)	34,826

	SOL US\$'000	Immaterial joint ventures US\$'000	Total US\$'000
1 January 2017			
Group's interest in net assets of investee at beginning of the year	53,940	6,600	60,600
Group's share of profit from operations	13,034	143	13,177
Group's contribution during the year	-	5,243	5,243
Carrying amount of interest in investee at end of the year	66,974	12,046	79,020

The joint ventures had no capital commitments and contingent liabilities as at 31 December 2018, 31 December 2017 and 1 January 2017.

Joint operations

The Group is a 49% partner in PT Teras Marine Indonesia ("PTTMI") and PT Conquest Offshore Indonesia ("PTCOI") respectively to jointly operate two self-propelled liftboats to provide charterer service to external customers.

The Group has classified PTTMI and PTCOI as joint operations. This is on the basis that the partners are legally obliged to the benefits, rights, liabilities and obligation arising from the operating activities based on their shareholding proportion.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8 ASSOCIATES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Interests in associates	16,943	39,523	46,806	28,336	70,146	64,243
Impairment losses	–	–	–	(13,823)	(41,808)	(35,905)
	16,943	39,523	46,806	14,513	28,338	28,338
Loans to associates	21,287	41,294	31,995	21,093	41,168	31,815
	38,230	80,817	78,801	35,606	69,506	60,153

Loans to associates as at 1 January 2017 and 31 December 2017 are classified as loans and receivables. On adoption of SFRS(I) 9, the loans are classified as financial assets at amortised cost.

The loans are unsecured, interest-free and have no fixed terms of repayment. The settlement of these loans is neither planned nor likely to occur in the foreseeable future and hence the loans are classified as non-current.

Impairment losses

In 2018, impairment losses amounting to US\$13,823,000 was recognised in respect of the Company's interests in two associates as a result of the recurring losses incurred by the two companies. Management assessed the recoverable amount for one associate based on the closing share price as at 31 December 2018 and the recoverable amount for one associate based on the net asset position of the associate as at 31 December 2018.

In 2017, impairment losses amounting to US\$5,903,000 (1 January 2017: US\$14,405,000) was recognised in respect of the Company's interest in AusGroup Limited ("AusGroup") as a result of the recurring losses incurred by AusGroup. Management assessed the recoverable amount for AusGroup based on the closing share price as at 31 December 2017.

As at 31 December 2018, the Group has two (2017: two; 1 January 2017: two) associates that are material and a number of associates that are individually immaterial to the Group. All associates are equity-accounted. The following are for the material associates:

	Alpha Energy Holdings Limited ¹ ["Alpha Energy"]	Charisma Energy Services Limited ¹ ["Charisma Energy Services"]
Nature of relationship with the Group	Strategic partner in ownership of oil reserves in Alaska	Strategic partner in ownership and management of energy assets
Country of incorporation	Singapore	Singapore
Ownership interest	26.41% (2017: 29.86%; 1 January 2017: 29.86%)	41.48% ² (2017: 41.48%; 1 January 2017: 42.73%) ²
Fair value of ownership interest	US\$8,776,000 (2017: US\$4,045,000; 1 January 2017: US\$2,932,000) ³	US\$4,086,000 (2017: US\$20,863,000; 1 January 2017: US\$23,137,000)

¹ Audited by KPMG LLP, Singapore.

² Voting rights held 21.36% (2017: 21.36%).

³ Based on quoted market price as at 31 December (Level 1 in the fair value hierarchy).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8 ASSOCIATES (CONT'D)

During the year, the Group's ownership interest in AusGroup decreased from 18.13% to 13.43% and the Group ceased to exert significant influence on AusGroup. Accordingly, the Group ceased equity accounting of AusGroup and reclassified its interest and loan to AusGroup to other non-current assets as at 31 December 2018. Arising from the loss of significant influence, a gain of US\$6,397,000 was recognised in 'other income' in the consolidated income statement following an initial measurement of the equity interest in AusGroup at FVOCI previously classified as an associate.

During the year, the Group's ownership interest in Alpha Energy decreased from 29.86% to 26.41% following the share placement of 46,000,000 ordinary shares in Alpha Energy by a third-party shareholder.

The following summarises the financial information of each of the Group's material associates based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of the remaining individually immaterial associates.

	Alpha Energy US\$'000	Charisma Energy Services US\$'000
2018		
Revenue	–	17,186
Loss from operations	(1,004)	(41,930)
Other comprehensive income	(3)	(4,363)
Total comprehensive income	(1,007)	(46,293)
Non-current assets	81,412	88,430
Current assets	5,226	21,075
Non-current liabilities	(547)	(41,803)
Current liabilities	(28,030)	(59,629)
Net assets	58,061	8,073

	Alpha Energy US\$'000	Charisma Energy Services US\$'000	Immaterial associates US\$'000	Total US\$'000
2018				
Group's interest in net assets of investee at beginning of the year	11,534	18,575	9,414	39,523
Group's share of:				
- Loss from operations	(429)	(17,895)	(1,704)	(20,028)
- Other comprehensive income	–	(27)	–	(27)
Translation difference	(945)	–	(1,580)	(2,525)
Carrying amount of interest in investee at end of the year	10,160	653	6,130	16,943

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8 ASSOCIATES (CONT'D)

	Alpha Energy US\$'000	Charisma Energy Services US\$'000
2017		
Revenue	-	19,834
Loss from operations	(307)	(31,295)
Other comprehensive income	(9)	1,417
Total comprehensive income	(316)	(29,878)
Non-current assets	78,600	130,481
Current assets	3,249	17,382
Non-current liabilities	(547)	(40,707)
Current liabilities	(26,090)	(51,829)
Net assets	55,212	55,327

	Alpha Energy US\$'000	Charisma Energy Services US\$'000	Immaterial associates US\$'000	Total US\$'000
2017				
Group's interest in net assets of investee at beginning of the year	11,628	23,017	12,161	46,806
Group's share of:				
- Loss from operations	(94)	(13,257)	(8,549)	(21,900)
- Other comprehensive income	-	600	-	600
Translation difference	-	-	(101)	(101)
Share of associate's other reserve	-	8,215	-	8,215
Group's contribution during the year	-	-	5,903	5,903
Carrying amount of interest in investee at end of the year	11,534	18,575	9,414	39,523

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8 ASSOCIATES (CONT'D)

	Alpha Energy US\$'000	Charisma Energy Services US\$'000
1 January 2017		
Revenue	-	24,537
(Loss)/Profit from operations	(3,110)	1,234
Other comprehensive income	(3)	(292)
Total comprehensive income	(3,113)	942
Non-current assets	81,864	141,228
Current assets	2,636	11,845
Non-current liabilities	(547)	(48,856)
Current liabilities	(28,618)	(19,075)
Net assets	55,335	85,142

	Alpha Energy US\$'000	Charisma Energy Services US\$'000	Immaterial associates US\$'000	Total US\$'000
1 January 2017				
Group's interest in net assets of investee at beginning of the year	12,109	21,878	14,405	48,392
Group's share of:				
- (Loss)/Profit from operations	(929)	949	(15,238)	(15,218)
- Other comprehensive income	-	-	402	402
Translation difference	448	-	(209)	239
Group's contribution during the year	-	190	12,801	12,991
Carrying amount of interest in investee at end of the year	11,628	23,017	12,161	46,806

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

9 OTHER ASSETS, INCLUDING DERIVATIVES

		Group			Company		
	Note	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-current							
Deposits to suppliers	(a)	–	4,170	2,700	–	–	–
Prepayments		87	98	110	87	98	110
Other receivables	(b)	23,188	67,500	–	17,069	–	–
Interest rate swaps used for hedging	(c)	713	3,749	2,131	713	3,749	2,131
Equity investment – at FVOCI	(d)	6,397	–	–	6,397	–	–
		30,385	75,517	4,941	24,266	3,847	2,241
Current							
Equity investment – available-for-sale		–	–	48	–	–	–
Advances to suppliers		3,312	29,299	47,512	4	4	6
Deposits to suppliers	(a)	20,352	11,473	10,171	347	4,152	4,140
Prepayments		4,495	2,816	4,776	38	31	55
Non-trade amounts due from:							
- associates	(e)	2,792	912	926	2,792	912	926
- joint ventures and joint operations	(e)	90,637	84,772	74,398	768	2,768	425
Interest receivables		2,088	4,390	8,886	12,267	77,421	59,666
Other receivables		14,399	20,451	17,369	1,355	11,726	2,835
		138,075	154,113	164,086	17,571	97,014	68,053
Total		168,460	229,630	169,027	41,837	100,861	70,294

(a) Deposits to suppliers largely relate to deposits made to service providers, such as vessel owners.

(b) Included in other receivables in 2018 is an amount of US\$17,069,000 related to loan to AusGroup which was previously recognised as a loan to associate. The loan bears interest of 2% per annum and is repayable on 31 October 2023. Included in other receivables in 2017 were (i) an amount of US\$60,000,000 recoverable from the sale of jack-up rigs, previously owned by a joint venture partner, and (ii) an amount of US\$4,952,000 related to loan to investee company which is interest-free, unsecured and repayable after 2018.

(c) At 31 December 2018, the Group held interest rate swaps with a total notional amount of US\$45,000,000 (2017: US\$75,000,000; 1 January 2017: US\$225,000,000). The Group has designated these interest rate swaps as cash flow hedges to provide fixed rate funding for a term of between 1 to 2 years (2017: 1 to 3 years; 1 January 2017: 1 to 4 years).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

9 OTHER ASSETS, INCLUDING DERIVATIVES (CONT'D)

- (d) In 2018, the Group designated the investment in AusGroup as equity investment at FVOCI as the Group intends to hold the investment for long-term strategic purposes.
- (e) Non-trade amounts due from associates, joint ventures and joint operations are unsecured, interest-free and repayable on demand. There is no allowance for impairment arising from outstanding non-trade balances with related parties.

Deposits to suppliers, non-trade amounts due from related parties, interest receivables and other receivables are not past due.

During the financial year, the Group wrote off advances to suppliers, deposits to suppliers, interest receivables and other receivables of US\$109,875,000 (2017: US\$56,715,000) as there is no realistic prospect of recovery.

The Group's and the Company's exposure to credit and currency risks, and impairment losses for other assets, are disclosed in Note 32.

10 TRADE RECEIVABLES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Trade amounts due from:						
- associates	-	12,941	12,725	-	-	-
- joint ventures	3,855	2,040	-	982	194	242
- subsidiaries	-	-	-	19,265	13,010	9,357
- third parties	254,998	251,690	241,164	4,289	-	-
	258,853	266,671	253,889	24,536	13,204	9,599
Impairment losses	(189,590)	(185,147)	(74,990)	(16,688)	(3,821)	-
Total trade receivables	69,263	81,524	178,899	7,848	9,383	9,599

Trade amounts due from associates, joint ventures and subsidiaries are unsecured and are not past due. The Company made an impairment of US\$12,867,000 (2017: US\$3,821,000) on outstanding trade balances due from subsidiaries. There are no impairment losses arising from outstanding trade balances due from associates and joint ventures.

The Group's primary exposure to credit risk relating to trade receivables from third parties arising mainly from the chartering activities by the subsidiaries. These customers are mainly national oil majors that are engaged in a wide spectrum of offshore activities. The Group's and the Company's exposure to credit and currency risks, and impairment losses for trade receivables, are disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

11 ASSETS HELD FOR SALE

As at 31 December 2018, the Group committed to a plan to sell an offshore support logistics vessel (2017: two jack-up rigs). Accordingly, the net realisable value of the offshore support logistics vessel was presented as asset held for sale. The sale was completed in February 2019 (2017: January 2018).

12 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and in hand	47,372	44,969	114,951	7,580	20,255	60,995
Fixed deposits	1,657	1,500	90,002	1,657	–	88,502
	49,029	46,469	204,953	9,237	20,255	149,497

An amount of US\$32,171,000 (2017: US\$42,182,000; 1 January 2017: US\$89,530,000) under cash and cash equivalents are restricted/earmarked by the banks for various facilities granted. As a result of administration procedure arising from the debt refinancing exercise (Note 33), the Group is obliged to seek approval for disbursement of all payments made from the secured lenders of the Group.

The interest rates for cash at bank and fixed deposits for the Group and the Company range between 0.01% to 1.86% (2017: 0.01% to 1.40%; 1 January 2017: 0.50% to 2.03%) per annum.

13 SHARE CAPITAL

	Group and Company	
	2018	2017
	No. of shares	No. of shares
	'000	'000
At 1 January	2,077,027	2,077,027
Shares issued during the year	1,633,939	–
At 31 December	3,710,966	2,077,027

All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid with no par value.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

13 SHARE CAPITAL (CONT'D)

Ordinary shares (cont'd)

Issuance of ordinary shares

The following is a reconciliation of the share capital of the Company for 2018:

	Group and Company
	2018
	US\$'000
At 1 January	648,940
Conversion of amended perpetual securities ⁽ⁱ⁾	74,853
Conversion of Series B convertible bonds ^{(ii), (iii)}	149,200
Exercise of warrants by:	
- Shareholders ^(iv)	8
- Unsecured lender ^(v)	1,865
Issuance of ordinary shares to:	
- Investor ^(vi)	15,246
- Advisors to the Company ^(vii)	21,654
- Noteholders and perpetual securities holders ^(viii)	5,637
- Lenders and holders of debt securities ^(ix)	10,695
- Secured lenders ^(x)	2,411
At 31 December	930,509

- (i) 397,064,696 new ordinary shares issued at an issue price of S\$0.2487 per share, amounting to S\$98,750,000 from the conversion of amended perpetual securities (Note 14);
- (ii) 862,685,852 new ordinary shares issued at an issue price of S\$0.2487 per share, amounting to S\$214,550,000 from the conversion of Series B convertible bonds (Note 18);
- (iii) 4,162,139 new ordinary shares issued at an issue price of S\$0.2763 per share, amounting to S\$1,150,000 from the conversion of Series B convertible bonds (Note 18);
- (iv) 40,901 new ordinary shares issued at an issue price of S\$0.2487 per share, amounting to S\$10,000 pursuant to the exercise of 40,901 warrants by shareholders (Note 33);
- (v) 15,478,760 new ordinary shares issued at an issue price of S\$0.2763 per share, amounting to S\$4,277,000 pursuant to the exercise of 15,478,760 warrants by an unsecured lender (Note 33);
- (vi) 96,153,000 new ordinary shares issued at an issue price of S\$0.208 per share, amounting to S\$20,000,000 to an investor (Note 33);

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

13 SHARE CAPITAL (CONT'D)

Ordinary shares (cont'd)

Issuance of ordinary shares (cont'd)

- (vii) 157,000,000 new ordinary shares issued at an issue price of S\$0.2763 per share, amounting to S\$43,379,000 for payment of professional fees to advisors to the Company (Note 33);
- (viii) 38,111,034 new ordinary shares issued at an issue price of S\$0.2763 per share, amounting to S\$10,530,000 for settlement of interest payable to noteholders and perpetual securities holders (Note 33);
- (ix) 11,442,000 new ordinary shares issued at an issue price of S\$0.2763 per share, amounting to S\$3,161,000 to lenders and holders of the Company's debt securities who submitted or delivered voting instructions voting in favour of the debt refinancing exercise (Note 33); and
- (x) 51,801,003 new ordinary shares issued at an issue price of S\$0.2763 per share, amounting to S\$14,313,000 to secured lenders (Note 33).

There was no issuance of ordinary shares in the financial year ended 31 December 2017.

Exercise of share options

There were no shares issued under the Company's Employee Share Option Scheme for both years ended 31 December 2018 and 31 December 2017.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares, buy back issued shares, obtain new borrowings or reduce its borrowings.

The Group monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as financial liabilities and debt securities less cash and cash equivalents. Total equity includes share capital, perpetual securities, redeemable exchangeable preference shares, reserves and accumulated profits/(losses).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

13 SHARE CAPITAL (CONT'D)

Capital management (cont'd)

	Group		
	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000
Financial liabilities	1,288,310	1,002,550	1,119,122
Debt securities	118,701	406,391	372,040
Less: Cash and cash equivalents	(49,029)	(46,469)	(204,953)
Net debt	1,357,982	1,362,472	1,286,209
Total equity	(254,752)	(100,688)	215,699
Gearing ratio (times)	N/M	N/M	5.96

N/M: Not meaningful

There were no changes in the Group's approach to capital management during the year.

The Singapore vessels-owning companies are required to have a minimum share capital of US\$36,635 (2017: US\$37,408; 1 January 2017: US\$34,571), equivalent to S\$50,000 (2017: S\$50,000; 1 January 2017: S\$50,000) as required by the Maritime and Port Authority of Singapore. Except for the above, the Company and its subsidiaries are not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

14 PERPETUAL SECURITIES

The Company has a Multi-Currency Debt Issuance Programme (the “Programme”) which allows the Company from time to time to issue notes and perpetual securities in any currency. The limit of the Programme was increased from S\$500 million to S\$1.5 billion with effect from 8 May 2014. Under the Programme, the perpetual securities shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu, without any preference among themselves, and with any parity obligations of the Company.

As at 31 December 2017, the Company has perpetual securities with a nominal principal amount of S\$150,000,000 (equivalent to US\$117,380,000) issued in 2014. The securities are perpetual, subordinated and the distribution interest of 7.0% per annum may be deferred at the sole discretion of the Company.

The terms of the perpetual securities were subsequently amended in April 2018 where the Company has undergone a debt refinancing exercise. Please refer to Note 33 for the details of the debt refinancing exercise.

Under the debt refinancing exercise, the holder of the perpetual securities had an option to elect between receiving non-convertible bonds known as “Series C”, or to retain the existing perpetual securities with an amendment of key terms. The holders of S\$30,500,000 of perpetual securities had opted to receive Series C bonds, while the remaining holders of S\$119,500,000 of perpetual securities had opted to retain and amend the terms of the perpetual securities (now known as “amended perpetual securities”).

The amended perpetual securities has no fixed maturity date and shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu, without any preference among themselves, and with any parity obligations of the Company. The amended perpetual securities may be redeemed at the option of the Company on or after 20 November 2024. The distribution rate of the amended perpetual securities are as follows:

- 7% per annum for the period before 20 November 2017;
- 0.25% per annum for period between 28 March 2018 to 19 November 2024;
- 1.25% for the period from 20 November 2024 to 20 November 2025; and
- an increase in 1% per annum thereafter on the 21 November of each succeeding year.

The distribution interest above may be deferred at the sole discretion of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

14 PERPETUAL SECURITIES (CONT'D)

The amended perpetual securities have a conversion feature where the holder of the amended perpetual securities will have the right during the conversion period to convert the amended perpetual securities into ordinary shares of the Company. The conversion period for the amended perpetual securities is between 13 April 2018 ("Conversion Start Date") to 19 November 2021, known as the "Conversion Period". Within the Conversion Period, these amended perpetual securities are convertible into new ordinary shares of the Company at the following conversion prices:

- S\$0.2487 per share, exercisable on or before 60 days after the Conversion Start Date;
- S\$0.2763 per share, exercisable after 60 days from the Conversion Start Date or before the sixth month of the Conversion Start Date; and
- the price per share thereafter is reset every six months (each, a "Conversion Price Reset Date") by the Company beginning on the date that is six months after the sixth month of the Conversion Start Date to a price that represents the six month volume weighted average price of the shares of the Company prior to each Conversion Price Reset Date, subject to a floor conversion price of S\$0.2763.

During the financial year, S\$98,750,000 principal amount of amended perpetual securities were converted into 397,064,696 ordinary shares of the Company at the conversion price of S\$0.2487 per share.

As at 31 December 2018, the principal amount of amended perpetual securities remaining is S\$20,750,000 (US\$14,938,000).

These amended perpetual securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position. Transaction costs incurred in connection with the issuance of amended perpetual securities amounted to US\$881,000 (2017: US\$881,000).

As at 31 December 2018, the Group reversed over-accrued perpetual securities distribution of US\$860,000 (2017: accrued perpetual securities distribution of US\$7,634,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

15. REDEEMABLE EXCHANGEABLE PREFERENCE SHARES

	Group		
	2018	2017	1 Jan 2017
	US\$'000	US\$'000	US\$'000
At 1 January and 31 December	23,464	23,464	23,464

In 2013, 300 redeemable exchangeable preference shares ("REPS") were issued by a subsidiary of the Company ("Subsidiary") at an issue price of S\$100,000 (equivalent to US\$78,388) per share ("Issue Price"). All issued shares are fully paid. The main terms and conditions of the subscription agreement are as follows:

- (a) The REPS are convertible into certain number of ordinary shares in the share capital of the Company based on an exchange price of S\$1.8214 ("Exchange Price"). The conversion ratio will be subject to the usual anti-dilution adjustments.
- (b) The holders of REPS shall have the right to convert:
 - (i) the first 50% of their holdings of REPS into Exchange Shares at the Exchange Price at any time starting from the first anniversary of the date of issue of REPS ("Issue Date") and up to one business day before the third anniversary of the Issue Date ("Maturity Date"); and
 - (ii) the remaining 50% of their holdings of REPS into Exchange Shares at any time starting from the second anniversary of the Issue Date and up to one business day before the Maturity Date.
- (c) Save as otherwise provided herein under the clause entitled "Distribution Preference Deferral" and subject to the Companies Act (Chapter 50) of Singapore, the Preference Shares shall be entitled to:
 - (i) an annual dividend equal to 5% of the Issue Price (the "Distribution Preference") in respect of the outstanding REPS as at the Maturity Date, with such Distribution Preference payable cumulatively on the Maturity Date; and
 - (ii) a one-off dividend equal to 3% of the Issue Price (the "One-Time Dividend") in respect of the REPS that are exchanged into Exchange Shares before the Maturity Date, with such One-Time Dividend payable no later than 5 business days after the date of exchange of the REPS into Exchange Shares,

(such date of payment of the Distribution Preference or the One-Time Dividend by the Subsidiary, a "Distribution Payment Date").
- (d) The Group may, at its sole discretion, elect to defer (in whole or in part) the payment of any Distribution Preference and/or One-Time Dividend which is otherwise scheduled to be paid on a Distribution Payment Date to a date no later than the date on which the Group pays a discretionary dividend, distribution or other payment (other than in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants) for the financial year in which the relevant Distribution Payment Date falls within.

The Group has no obligation to pay any dividend on any Distribution Payment Date if it validly elects not to do so.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

15. REDEEMABLE EXCHANGEABLE PREFERENCE SHARES [CONT'D]

- (e) Each holder of REPS shall have the right to exchange all of its holdings of REPS into Exchange Shares upon the occurrence of any of the following events prior to the Maturity Date:
- (i) a merger or consolidation of the Subsidiary with or into another entity (except a merger or consolidation in which the Group continues to hold at least 50% of the voting power of the capital of the surviving or acquiring entity);
 - (ii) a change in control in which in excess of 50% of the outstanding voting power of the Subsidiary is transferred;
 - (iii) the Subsidiary is unable to pay its debts as they fall due or is insolvent; or
 - (iv) the Subsidiary is subject to a liquidation or winding up action (whether voluntary or otherwise), or an administrator or receiver has been appointed over any of the assets of the Subsidiary, or if any of its material assets have been seized by a court order.

Such number of Exchange Shares is to be determined in accordance with the exchange formula.

- (f) Within five business days immediately after the Maturity Date, the Subsidiary has the option to redeem (upon which the Company shall guarantee) any amount of outstanding REPS not exchanged by the Holders as at the Maturity Date at a redemption price per REPS equal to the Issue Price in cash.

In the event that the Subsidiary does not exercise the aforementioned redemption option, all outstanding REPS as at the Maturity Date shall be automatically exchanged into Exchange Shares at the Exchange Price. For the avoidance of doubt, the Holders shall be entitled to the Distribution Preference on the outstanding Preference Shares as at the Maturity Date.

On 7 October 2016, the Company entered into a supplemental agreement to the subscription agreement with the REPS holders and the Subsidiary, to amend the terms of the REPS as follows:

- (a) The maturity date of the REPS shall be extended by three years, from the date falling on the third anniversary of the Issue Date, being 10 October 2016, to the date falling on the sixth anniversary of the Issue Date, being 10 October 2019 (the "Extended Maturity Date").
- (b) No annual dividend in respect of the outstanding REPS as at the Extended Maturity Date shall accrue and be payable for the period commencing from 11 October 2016 to the Extended Maturity Date.

Save as disclosed above, the terms and conditions of the subscription agreement shall continue to apply mutatis mutandis and shall remain in full force and effect.

In financial year ended 31 December 2018 and 31 December 2017, no REPS in Subsidiary was exchanged by the holders for shares in the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

16. RESERVES

The reserves of the Group and the Company comprise the following balances:

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Treasury shares	(1,480)	(1,480)	(1,480)	(1,480)	(1,480)	(1,480)
Foreign currency translation reserve	3,907	3,788	-	-	-	-
Hedging reserve	713	951	(55)	713	951	(55)
Statutory reserve	-	-	(6)	-	-	(6)
	3,140	3,259	(1,541)	(767)	(529)	(1,541)

Treasury shares

Treasury shares comprise the cost of the Company's shares held by the Group.

As at 31 December 2018, the Group held 3,184,000 (2017: 3,184,000; 1 January 2017: 3,184,000) of the Company's shares. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

Foreign currency translation reserve

The foreign currency translation reserve comprises:

- (a) foreign exchange differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from the functional currency of the Company; and
- (b) the exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative change (net of taxes) in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

17. OTHER PAYABLES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-current						
Other payables	19,148	15,000	15,000	4,148	-	-
Deposits received	8,655	11,355	18,961	-	-	-
Accrued interest payable	1,957	-	-	1,957	-	-
Non-trade amounts due to subsidiaries	-	-	-	78,941	78,941	141,817
	29,760	26,355	33,961	85,046	78,941	141,817
Current						
Downpayments and advances from customers	5,293	15,955	10,000	1,700	1,700	1,200
Deferred revenue	10,718	7,950	8,134	-	-	-
Non-trade amounts due to:						
- joint ventures	25,832	3,971	-	6,022	3,777	-
- subsidiaries	-	-	-	323,237	271,679	94,554
Accrued interest payable	10,542	29,039	7,398	1,394	17,869	5,033
Accrued expenses	18,311	35,330	8,225	6,836	33,681	6,901
Employee benefits	96	96	167	54	54	111
Other payables	6,780	7,876	8,922	1,085	2,913	2,441
	77,572	100,217	42,846	340,328	331,673	110,240
Total	107,332	126,572	76,807	425,374	410,614	252,057

Non-current non-trade amounts due to subsidiaries are unsecured, interest-free and repayable in 2020 (2017: repayable in 2019; 1 January 2017: repayable in 2018).

Current non-trade amounts due to subsidiaries and joint ventures are unsecured, interest-free and repayable on demand.

Deferred revenue represents advanced payments from customers for the Group's charter contracts. The Group amortises the deferred revenue to profit or loss on a straight-line basis over the period stipulated in the charter contract.

The Group's and the Company's exposure to currency risk and liquidity risk related to other payables is disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18. DEBT SECURITIES

		Maturity	Group and Company		
			2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000
Non-current					
Series A	November 2024	45,981	–	–	
Series B	November 2023	60,338	–	–	
Series C	November 2027	12,382	–	–	
Series 003 – S\$110 million ⁽¹⁾	May 2019	–	82,298	75,562	
Series 004 – S\$60 million ⁽²⁾	August 2018	–	–	41,319	
Series 005 – S\$50 million ⁽³⁾	January 2019	–	37,408	34,463	
Series 006 – S\$55 million ⁽⁴⁾	March 2020	–	41,149	37,839	
Series 007 – S\$150 million ⁽⁵⁾	June 2021	–	111,851	101,191	
Series 009 – S\$120 million ⁽⁶⁾	August 2020	–	88,795	81,666	
		118,701	361,501	372,040	
Current					
Series 004 – S\$40 million ⁽²⁾	August 2018	–	44,890	–	
Total debt securities		118,701	406,391	372,040	

⁽¹⁾ As at 31 December 2017, the notes bore fixed interest rate of 4.70% (1 January 2017: 4.70%) per annum payable semi-annually, with fair value of approximately US\$24,690,000 (1 January 2017: US\$56,037,000) based on quoted market prices.

⁽²⁾ As at 31 December 2017, the notes bore fixed interest rate of 4.60% (1 January 2017: 4.60%) per annum payable semi-annually, with fair value of approximately US\$13,467,000 (1 January 2017: US\$34,147,000) based on quoted market prices.

⁽³⁾ As at 31 December 2017, the notes bore fixed interest rate of 4.85% (1 January 2017: 4.85%) per annum payable semi-annually, with fair value of approximately US\$11,223,000 (1 January 2017: US\$26,426,000) based on quoted market prices.

⁽⁴⁾ As at 31 December 2017, the notes bore fixed interest rate of 5.10% (1 January 2017: 5.10%) per annum payable semi-annually, with fair value of approximately US\$12,345,000 (1 January 2017: US\$25,134,000) based on quoted market prices.

⁽⁵⁾ As at 31 December 2017, the notes bore fixed interest rate of 4.875% (1 January 2017: 4.875%) per annum payable semi-annually, with fair value of approximately US\$33,555,000 (1 January 2017: US\$61,517,000) based on quoted market prices.

⁽⁶⁾ As at 31 December 2017, the notes bore fixed interest rate of 3.65% (1 January 2017: 3.65%) per annum payable semi-annually, with fair value of approximately US\$89,331,000 (1 January 2017: US\$82,993,000) based on quoted market prices. The notes were fully redeemed on 5 February 2018.

The above debt securities were listed on the Main Board of the Singapore Exchange Securities Trading Limited. The carrying amount of the debt securities due after twelve months after balance sheet date was classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18. DEBT SECURITIES (CONT'D)

The face values of the debt securities are as follows:

	Group and Company					
	2018		2017		1 Jan 2017	
	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-current						
Series A	71,454	45,981	-	-	-	-
Series B	85,580	60,338	-	-	-	-
Series C	22,348	12,382	-	-	-	-
Series 003 – S\$110 million	-	-	82,298	82,298	76,056	75,562
Series 004 – S\$60 million	-	-	-	-	41,485	41,319
Series 005 – S\$50 million	-	-	37,408	37,408	34,571	34,463
Series 006 – S\$55 million	-	-	41,149	41,149	38,028	37,839
Series 007 – S\$150 million	-	-	112,225	111,851	103,713	101,191
Series 009 – S\$120 million	-	-	89,780	88,795	82,970	81,666
	179,382	118,701	362,860	361,501	376,823	372,040
Current						
Series 004 – S\$60 million	-	-	44,890	44,890	-	-
Total debt securities	179,382	118,701	407,750	406,391	376,823	372,040

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 32.

In April 2018, the Company underwent a debt refinancing exercise where Series 003, 004, 005, 006 and 007 debt securities amounting to S\$425,000,000 (US\$317,596,000) were fully redeemed and converted to Series A and Series B bonds. Series C bonds was issued as a result of the amendment in terms of the Company's perpetual securities as mentioned in Note 14. Please refer to Note 33 for the details of the debt refinancing exercise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18. DEBT SECURITIES (CONT'D)

Details of Series A, B and C bonds are as follows:

Series A

Series A bonds are non-convertible bonds of the Company which are due on 20 November 2024 with interest rate at 0.25% per annum payable semi-annually. The principal amount of Series A bonds is S\$92,000,000 (US\$71,454,000) as at 31 December 2018. The redemption amount at maturity is 106% of the principal amount or S\$97,520,000.

Series B

Series B bonds are convertible bonds of the Company due on 20 November 2023 with interest rate at 0.25% per annum payable semi-annually. The principal amount of the convertible bonds on issuance date is S\$333,000,000 of which S\$500,000 is held by the Company. The conversion period for the convertible bond is between the date of issuance, 13 April 2018 ("Bonds Issue Date") to 19 November 2022, known as the "Conversion Period". Within the Conversion Period, these convertible bonds are convertible into new ordinary shares of the Company at the following conversion prices:

- S\$0.2487 per share, exercisable on or before 60 days after the Bonds Issue Date;
- S\$0.2763 per share, exercisable after 60 days from the Bonds Issue Date or before the sixth month of the Bonds Issue Date; and
- the price per share thereafter is reset every six months (each, a "Conversion Price Reset Date") by the Company beginning on the date that is six months after the Bonds Issue Date to a price that represents the six month volume weighted average price of the shares of the Company prior to each Conversion Price Reset Date, subject to a floor conversion price of S\$0.2763.

Conversions during the year are as follows:

- S\$214,550,000 principal amount of convertible bonds were converted into 862,685,852 ordinary shares of the Company at the conversion price of S\$0.2487 per share; and
- S\$1,150,000 principal amount of convertible bonds were converted into 4,162,139 ordinary shares of the Company at the conversion price of S\$0.2763 per share.

The principal amount of Series B bonds is S\$116,800,000 (US\$85,580,000) as at 31 December 2018.

Series C

Series C bonds are non-convertible bonds of the Company which are due on 20 November 2027 with interest rate at 0.25% per annum payable semi-annually. The principal amount of Series C bonds is S\$30,500,000 (US\$22,348,000) as at 31 December 2018. The redemption amount at maturity is 107.5% of the principal amount or S\$32,788,000.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

19 FINANCIAL LIABILITIES

	Group			Company		
	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000
Non-current						
Secured bank loans	1,213,601	–	772,373	143,329	–	41,054
Unsecured bank loans	–	–	12,659	–	–	12,659
Finance lease liabilities	–	13	24	–	13	24
Financial guarantees	62,463	–	3,011	679,406	–	58,345
	1,276,064	13	788,067	822,735	13	112,082
Current						
Secured bank loans	3,600	944,596	228,406	600	44,458	–
Unsecured bank loans	8,635	53,231	100,941	8,635	53,231	100,941
Finance lease liabilities	11	14	23	11	14	23
Financial guarantees	–	4,696	1,685	–	80,291	21,948
	12,246	1,002,537	331,055	9,246	177,994	122,912
Total financial liabilities	1,288,310	1,002,550	1,119,122	831,981	178,007	234,994

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 32.

Secured bank loans

All the bank loans were secured by corporate guarantees from the Company, first legal charge on the Group's vessels, legal assignment of the rental proceeds from the Group's vessels, assignment of insurances in respect of vessels in bank's favour and all monies standing to the credit of the Group's receiving operating account in respect of the vessels maintained by the Group with the bank.

The bank loans are secured on liftboats, jack-up rigs and offshore support logistics vessels with carrying amount of US\$865,703,000 (2017: US\$896,701,000; 1 January 2017: US\$1,009,332,000).

Reclassification of non-current financial liabilities to current liabilities

During the fourth quarter of 2017, the Group defaulted on its bank loan. Consequently, bank loans of US\$637,588,000 were classified to current liabilities as at 31 December 2017 due to the non-repayment. The affected bank loans could be called for repayment upon notification by the bank. There has not been an issue of statutory demand for the affected bank loans to be repaid immediately while the Group was undergoing a debt refinancing exercise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

19 FINANCIAL LIABILITIES (CONT'D)

Reclassification of non-current financial liabilities to current liabilities (cont'd)

During the year, the Group had completed the debt refinancing exercise. A refinancing package from the secured lenders of approximately US\$1,380,000,000, which include minimal fixed principal repayments over the next six years and decreased interest rates for these loan facilities was concluded. In addition to the refinancing package offered, an aggregate amount of up to US\$109,000,000 in revolving credit facilities is granted to the Company. As a result of the debt refinancing exercise, the bank loans were reclassified to non-current liabilities as at 31 December 2018.

Breach of financial covenants

The Group has several secured bank loans with carrying amount of US\$1,217,201,000 as at 31 December 2018, for which the covenants requiring, on an annual basis, the Group's debt (defined in the covenant as the Group's loans and borrowings and trade and other payables) should not exceed 8 times the Group's equity and the ratio of consolidated EBITA to interest expenses shall not be less than 1:1 for the period, have been breached.

However, the Group has obtained waiver from the banks in December 2018 for the above breaches.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

19 FINANCIAL LIABILITIES (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	2018		2017*		1 Jan 2017	
			Face value	Carrying	Face value	Carrying	Face value	Carrying
			US\$'000	amount US\$'000	US\$'000	amount US\$'000	US\$'000	amount US\$'000
Group								
USD secured floating rate loans	2.26 – 4.74	2019-2024	1,145,549	1,092,463	905,923	900,138	967,595	959,725
SGD secured floating rate loan	2.58 – 3.17	2019-2024	133,519	124,738	44,890	44,458	41,485	41,054
USD unsecured floating rate loans	2.36 – 7.94	2019	-	-	53,231	53,231	113,600	113,600
SGD unsecured fixed rate loan	1.00	2019	8,635	8,635	-	-	-	-
SGD finance lease liabilities	2.28	2019	12	11	29	27	49	47
			1,287,715	1,225,847	1,004,073	997,854	1,122,729	1,114,426
Company								
USD secured floating rate loan	2.26 – 4.74	2019-2024	24,536	22,855	-	-	-	-
SGD secured floating rate loan	2.58 – 3.17	2019-2024	129,856	121,074	44,890	44,458	41,485	41,054
USD unsecured floating rate loans	2.36 – 7.94	2018	-	-	53,231	53,231	113,600	113,600
SGD unsecured fixed rate loan	1.00	2019	8,635	8,635	-	-	-	-
SGD finance lease liabilities	2.28	2019	12	11	29	27	49	47
			163,039	152,575	98,150	97,716	155,134	154,701

* Prior to the completion of the debt refinancing exercise. Please refer to Note 33 for the details of the debt refinancing exercise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

19 FINANCIAL LIABILITIES (CONT'D)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	← 2018 →			← 2017 →			← 1 Jan 2017 →		
			Present value of			Present value of			Present value of
	Future minimum lease payments	Interest	future minimum lease payments	Future minimum lease payments	Interest	future minimum lease payments	Future minimum lease payments	Interest	future minimum lease payments
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group and Company									
Within 1 year	12	1	11	15	1	14	24	1	23
After 1 year but within 5 years	–	–	–	14	1	13	25	1	24
Total	12	1	11	29	1	27	49	2	47

Financial guarantees

Group

Financial guarantees comprise guarantees given by the Group to banks in respect of loans amounting to US\$111,358,000 (2017: US\$170,745,000, 1 January 2017: US\$112,616,000) granted to the Group's joint ventures which expires on 2 April 2024. In 2018, due to the continuing challenging industry conditions and the continued losses incurred by the joint ventures, the Group assessed that the joint ventures are unlikely to be in a position to repay the loans. Accordingly, the Group recognised loss allowances for expected credit losses on these financial guarantees of US\$63,852,000 as at 31 December 2018.

As at 31 December 2017, the carrying amount represented the initial fair value less the cumulative amount of income recognised and the amount that would have been recognised if they had been accounted for as contingent liabilities.

Company

Financial guarantees comprise guarantees given by the Company to banks in respect of loans amounting to US\$1,236,034,000 (2017: US\$1,076,668,000, 1 January 2017: US\$1,109,545,000) granted to the Company's subsidiaries and joint ventures which expires on 2 April 2024. In 2018, due to the continuing challenging industry conditions and the continued losses incurred by the subsidiaries and joint ventures, the Company assessed that the subsidiaries and joint ventures are unlikely to be in a position to repay the loans. Accordingly, the Company recognised loss allowances for expected credit losses on these financial guarantees of US\$592,569,000 as at 31 December 2018.

As at 31 December 2017, the carrying amount represented the initial fair value less the cumulative amount of income recognised and the amount that would have been recognised if they had been accounted for as contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

19 FINANCIAL LIABILITIES (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities			
	Accrued interest payable US\$'000	Debt securities US\$'000	Financial liabilities US\$'000	Total US\$'000
Balance at 1 January 2018	29,039	406,391	1,002,550	1,437,980
Changes from financing cash flows				
Proceeds from borrowings	–	–	305,699	305,699
Repayment of borrowings	–	(91,666)	(44,414)	(136,080)
Interest paid	(22,196)	–	–	(22,196)
Total changes from financing cash flows	(22,196)	(91,666)	261,285	147,423
The effect of changes in foreign exchange rates	(597)	2,600	(2,781)	(778)
Liability related other changes				
Interest expenses capitalised at cost	3,058	–	–	3,058
Interest capitalised as term loans	(20,489)	–	20,489	–
Interest expenses	31,713	–	–	31,713
Finance income	–	–	(1,389)	(1,389)
Transaction costs	–	–	(4,363)	(4,363)
Amortisation	–	3,060	6,350	9,410
Fair value adjustments from refinancing recognised in profit or loss	(2,392)	(64,696)	(46,974)	(114,062)
Fair value adjustments from refinancing recognised in equity	–	(11,041)	–	(11,041)
Conversion to share capital	(5,637)	(149,200)	–	(154,837)
Financial guarantees	–	–	59,156	59,156
Novation to third party	–	–	(4,148)	(4,148)
Repayment by issuance of shares	–	–	(1,865)	(1,865)
Transfer from perpetual securities	–	23,253	–	23,253
Total liability-related other changes	6,253	(198,624)	27,256	(165,115)
Balance at 31 December 2018	12,499	118,701	1,288,310	1,419,510
Balance at 1 January 2017	7,398	372,040	1,119,122	1,498,560
Changes from financing cash flows				
Proceeds from borrowings	–	–	39,862	39,862
Repayment of borrowings	–	–	(156,067)	(156,067)
Interest paid	(36,858)	–	–	(36,858)
Total changes from financing cash flows	(36,858)	–	(116,205)	(153,063)
The effect of changes in foreign exchange rates	260	34,351	(367)	34,244
Liability related other changes				
Interest expenses capitalised at cost	21,693	–	–	21,693
Interest expenses	36,546	–	–	36,546
Total liability-related other changes	58,239	–	–	58,239
Balance at 31 December 2017	29,039	406,391	1,002,550	1,437,980

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

20 TRADE PAYABLES

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Trade amounts due to:						
- associates	21	516	480	-	-	-
- joint ventures	4,970	-	19,281	-	-	-
- third parties	67,342	88,541	92,313	69	102	198
	72,333	89,057	112,074	69	102	198

Trade amounts due to associates and joint ventures are unsecured, interest-free and repayable on demand.

The Group's and the Company's exposure to currency risk and liquidity risk related to trade payables is disclosed in Note 32.

21 SHARE-BASED PAYMENTS

As at 31 December 2018, the Group has the following share-based payment arrangements:

(a) Ezion Employee Share Option Scheme (equity-settled)

The Ezion Employee Share Option Scheme (the "Scheme") was approved and adopted by its members at an Extraordinary General Meeting held on 23 November 2009. The Scheme is administered by the Company's Remuneration Committee. All Directors and Employees of the Group shall be eligible to participate in the Scheme.

Other information regarding the Scheme is set out below:

Option granted on 11 October 2011 ("Grant Date 1")

- The exercise price of each option is fixed at S\$0.259. (Prior to Rights Issue: S\$0.288)
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 11 October 2012 to 11 October 2021:
 - i. 20% of the options shall vest after the end of first anniversary of Grant Date 1;
 - ii. 50% of the options shall vest after 31 March 2013; and
 - iii. 30% of the options shall vest after 31 March 2014.
- All options are settled by physical delivery of shares.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21 SHARE-BASED PAYMENTS [CONT'D]

[a] Ezion Employee Share Option Scheme [equity-settled] (cont'd)

Option granted on 11 October 2011 ("Grant Date 1") (cont'd)

- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 1,400,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the non-executive directors, Lim Thean Ee, Tan Woon Hum and Dr. Wang Kai Yuen.
- With effect from 7 November 2014, Captain Larry Glenn Johnson resigned as an executive director of the Company.

Option granted on 7 June 2012 ("Grant Date 2")

- The exercise price of each option is fixed at S\$0.462.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 June 2013 to 7 June 2022:
 - i. 30% of the options shall vest after the end of first anniversary of Grant Date 2;
 - ii. 30% of the options shall vest after the end of second anniversary of Grant Date 2; and
 - iii. 40% of the options shall vest after the end of third anniversary of Grant Date 2.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.
- With effect from 5 January 2016, Lee Kian Soo resigned as a director of the Company.

Option granted on 21 January 2013 ("Grant Date 3")

- The exercise price of each option is fixed at S\$0.973
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 21 January 2015 to 21 January 2023:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 3;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 3; and

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21 SHARE-BASED PAYMENTS (CONT'D)

(a) Ezion Employee Share Option Scheme (equity-settled) (cont'd)

Option granted on 21 January 2013 ("Grant Date 3") (cont'd)

- iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 3.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.

Option granted on 16 January 2015 ("Grant Date 5")

- The exercise price of each option is fixed at S\$1.011.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 16 January 2017 to 16 January 2025:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 5;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 5; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 5.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 1,400,000 share options granted to the executive director, Chew Thiam Keng; and 200,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.

Option granted on 9 March 2016 ("Grant Date 6")

- The exercise price of each option is fixed at S\$0.489.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 9 March 2018 to 9 March 2026:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 6;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 6; and

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21 SHARE-BASED PAYMENTS (CONT'D)

(a) Ezion Employee Share Option Scheme (equity-settled) (cont'd)

Option granted on 9 March 2016 ("Grant Date 6") (cont'd)

- iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 6.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to the executive director, Chew Thiam Keng; and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Yee Chia Hsing.

Option granted on 13 April 2018 ("Grant Date 7")

- The exercise price of each option is fixed at S\$0.189.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 13 April 2020 to 13 April 2028:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 7;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 7; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 7.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21 SHARE-BASED PAYMENTS (CONT'D)

(a) Ezion Employee Share Option Scheme (equity-settled) (cont'd)

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise prices per share	Options outstanding at 1 January 2018 '000	Options granted '000	Options exercised '000	Options cancelled '000	Options outstanding at 31 December 2018 '000	Number of option holders at 31 December 2018	Exercise period
11/10/2011	S\$0.259	2,245	-	-	-	2,245	1	11/10/2012 to 11/10/2021
7/6/2012	S\$0.462	1,828	-	-	(641)	1,187	8	7/6/2013 to 7/6/2022
21/1/2013	S\$0.973	7,682	-	-	(6,126)	1,556	34	21/1/2015 to 21/1/2023
16/1/2015	S\$1.011	11,700	-	-	(9,700)	2,000	52	16/1/2017 to 16/1/2025
9/3/2016	S\$0.489	7,140	-	-	(6,040)	1,100	62	9/3/2018 to 9/3/2026
13/4/2018	S\$0.189	-	32,838	-	-	32,838	77	13/4/2020 to 13/4/2028
		30,595	32,838	-	(22,507)	40,926		

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21 SHARE-BASED PAYMENTS [CONT'D]

(a) Ezion Employee Share Option Scheme (equity-settled) (cont'd)

Fair value of share options and assumptions

The grant-date fair value of share options granted was measured based on the Black-Scholes option-pricing model formula as the fair value of services performed by employees and directors cannot be measured reliably. Expected volatility is estimated by considering historic average share price volatility. Option lives are based on the assumption that each tranche of share options will be exercised once the vesting period is over.

Options granted at 11 October 2011

	At 11 October 2011		
	Tranche A	Tranche B	Tranche C
Fair value (\$)	0.077	0.091	0.159
Share price (\$)	0.45	0.45	0.45
Exercise price (\$)	0.414	0.414	0.414
Expected volatility	32%	33%	52%
Expected dividends (Singapore cents)	—*	—*	—*
Risk-free interest rate	0.20%	0.21%	0.35%

* Denotes less than 0.01 Singapore cents

Options granted at 7 June 2012

	At 7 June 2012		
	Tranche A	Tranche B	Tranche C
Fair value (\$)	0.16	0.174	0.224
Share price (\$)	0.78	0.78	0.78
Exercise price (\$)	0.74	0.74	0.74
Expected volatility	46.11%	35.88%	39.13%
Expected dividends (Singapore cents)	—*	—*	—*
Risk-free interest rate	0.25%	0.23%	0.33%

* Denotes less than 0.01 Singapore cents

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21 SHARE-BASED PAYMENTS [CONT'D]

(a) Ezion Employee Share Option Scheme (equity-settled) (cont'd)

Options granted at 21 January 2013

	At 21 January 2013		
	Tranche A	Tranche B	Tranche C
Fair value (\$)	0.473	0.530	0.758
Share price (\$)	1.76	1.76	1.76
Exercise price (\$)	1.56	1.56	1.56
Expected volatility	39.06%	36.58%	51.40%
Expected dividends (Singapore cents)	—*	—*	—*
Risk-free interest rate	0.24%	0.27%	0.30%

* Denotes less than 0.01 Singapore cents

Options granted at 16 January 2015

	At 16 January 2015		
	Tranche A	Tranche B	Tranche C
Fair value (\$)	0.267	0.337	0.396
Share price (\$)	1.155	1.155	1.155
Exercise price (\$)	1.011	1.011	1.011
Expected volatility	28.75%	32.57%	34.62%
Expected dividends (Singapore cents)	—*	—*	—*
Risk-free interest rate	0.54%	0.73%	1.02%

* Denotes less than 0.01 Singapore cents

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21 SHARE-BASED PAYMENTS [CONT'D]

[a] Ezion Employee Share Option Scheme (equity-settled) (cont'd)

Options granted at 9 March 2016

	At 9 March 2016		
	Tranche A	Tranche B	Tranche C
Fair value (\$)	0.220	0.234	0.258
Share price (\$)	0.630	0.630	0.630
Exercise price (\$)	0.489	0.489	0.489
Expected volatility	43.10%	38.16%	37.78%
Expected dividends (Singapore cents)	—*	—*	—*
Risk-free interest rate	1.06%	1.21%	1.43%

* Denotes less than 0.01 Singapore cents

Options granted at 13 April 2018

	At 13 April 2018		
	Tranche A	Tranche B	Tranche C
Fair value (\$)	0.101	0.104	0.107
Share price (\$)	0.197	0.197	0.197
Exercise price (\$)	0.189	0.189	0.189
Expected volatility	52.61%	51.81%	51.55%
Expected dividends (Singapore cents)	—*	—*	—*
Risk-free interest rate	2.17%	2.23%	2.28%

* Denotes less than 0.01 Singapore cents

There is no market condition associated with the share option grants.

[b] Employee Share Plan (equity-settled)

The Employee Share Plan (the "Plan") was approved and adopted by members of the Company at the Extraordinary General Meeting held on 29 April 2008. The Plan is administered by a committee comprising the directors of the Company.

In 2009, 230,000 treasury shares were awarded to certain employees pursuant to the Plan. No treasury shares had been awarded to employees under the Plan subsequent to 2009.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21 SHARE-BASED PAYMENTS (CONT'D)

Disclosure of share-based payments arrangements

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price per share 2018 S\$	Number of options 2018 '000	Weighted average exercise price per share 2017 S\$	Number of options 2017 '000
Outstanding at 1 January	0.83	30,595	0.83	30,595
Granted during the year	0.19	32,838	-	-
Cancelled during the year	0.84	(22,507)	-	-
Outstanding at 31 December	0.28	40,926	0.83	30,595
Exercisable at 31 December	0.64	8,088	0.82	15,265

The options outstanding at 31 December 2018 have an exercise price in the range of S\$0.19 to S\$1.01 (2017: S\$0.26 to S\$1.01) and the weighted average contractual life of 5.5 years (2017: 5.7 years).

Employee expenses

	Group	
	2018 US\$'000	2017 US\$'000
Ezion Employee Share Option Scheme	791	1,325
Total expenses recognised as share-based payments	791	1,325

22 REVENUE

	Group	
	2018 US\$'000	2017 US\$'000
Chartering revenue	113,623	185,046
Offshore support and marine services income	4,525	7,520
Others	548	542
	118,696	193,108

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

22 REVENUE (CONT'D)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Chartering revenue

Nature of goods or services	Revenue generated from the leasing of liftboats, jack-up rigs and offshore support logistics vessels ("vessels and rigs").
When revenue is recognised	Vessels and rigs charter income is recognised in profit or loss on a straight-line basis over the respective term of the charter.
Significant payment terms	Invoices are issued on a monthly basis and are payable within 30 days.

Offshore support and marine services income

Nature of goods or services	Revenue generated from the provision of offshore support and marine services to the oil and gas industry.
When revenue is recognised	Revenue from rendering of services is recognised when the related services have been rendered.
Significant payment terms	Invoices are issued on a monthly basis and are payable within 30 days.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

22 REVENUE (CONT'D)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Liftboats			Jack-up rigs			Offshore support			Others			Total	
	2018		2017	2018		2017	2018		2017	2018		2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Primary geographical markets														
Singapore	-	-	-	-	-	-	8,948	10,930	548	542	9,496	11,472		
India	-	-	-	6,324	26,684	-	-	-	-	-	6,324	26,684		
Brunei	14,038	18,400	-	-	-	-	-	-	-	-	14,038	18,400		
Thailand	-	-	-	31,901	31,901	-	-	-	-	-	31,901	31,901		
Middle East	18,770	53,462	-	-	9,780	-	-	-	-	-	18,770	63,242		
Nigeria	18,062	3,799	-	-	-	-	-	-	-	-	18,062	3,799		
Other countries	17,867	21,732	-	2,238	7,873	-	-	8,005	-	-	20,105	37,610		
	68,737	97,393	-	40,463	76,238	-	8,948	18,935	548	542	118,696	193,108		
Major products/ service line														
Chartering revenue	64,950	95,481	-	40,345	76,241	-	8,328	13,324	-	-	113,623	185,046		
Offshore support and marine services income	3,787	1,912	-	118	(3)	-	620	5,611	-	-	4,525	7,520		
Others	-	-	-	-	-	-	-	-	548	542	548	542		
	68,737	97,393	-	40,463	76,238	-	8,948	18,935	548	542	118,696	193,108		
Timing of revenue recognition														
Services transferred over time	64,950	95,481	-	40,345	76,241	-	8,328	13,324	-	-	113,623	185,046		
Services transferred at a point in time	3,787	1,912	-	118	(3)	-	620	5,611	548	542	5,073	8,062		
	68,737	97,393	-	40,463	76,238	-	8,948	18,935	548	542	118,696	193,108		

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23 NET FINANCE GAIN/[LOSS] AFTER FAIR VALUE ADJUSTMENTS

	NOTE	Group	
		2018 US\$'000	2017 US\$'000
Interest income:			
- banks		209	593
- related corporations		6,104	3,411
- financial guarantees		1,389	-
- others		-	509
Finance income		7,702	4,513
Interest expense:			
- banks		(31,713)	(36,546)
- amortisation of financial liabilities		(6,350)	-
- amortisation of debt securities		(3,060)	-
- discount on loan to AusGroup		(3,862)	-
Finance costs		(44,985)	(36,546)
Fair value adjustments:			
- financial liabilities		46,974	-
- debt securities		64,696	-
- others		701	-
Fair value adjustments arising from refinancing exercise	33	112,371	-
Net finance gain/(loss) after fair value adjustments recognised in profit or loss		75,088	(32,033)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

24 LOSS BEFORE INCOME TAX

The following items have been included in arriving at loss before income tax:

	Note	Group	
		2018 US\$'000	2017 US\$'000
Foreign exchange (gain)/loss, net		(2,987)	31,617
Gain on disposal of:			
- plant and equipment		(960)	(86)
- subsidiaries	27	-	(9,554)
Gain on derecognition of an associate	8	6,397	-
Depreciation expense on plant and equipment	5	50,874	66,485
Net Impairment losses on:			
- plant and equipment	5	80,173	78,379
- trade receivables	32	2,137	110,157
Loss allowances for ECLs on financial guarantees to joint ventures	19	63,852	-
Reversal of financial guarantees to joint ventures		8,081	-
Write-off of loans to joint venture	7	92,792	32,704
Write-off of other assets	9	109,875	56,715
Audit fees paid/payable to auditors of the Company		411	375
Non-audit fees paid/payable to auditors of the Company		16	15
Operating lease expense		843	987
Staff costs		7,858	8,387
Contributions to defined contribution plans, included in staff costs		655	697
Equity-settled share-based payment transactions, included in staff costs	21	791	1,325

Staff costs include key management personnel compensation and key executives compensation as disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

25 TAX EXPENSE

	Group	
	2018	2017
	US\$'000	US\$'000
Current tax expense		
Current year	86	19
Under/(Over) provision in respect of prior years	7	(79)
Foreign tax expense	2,399	2,952
Total tax expense	2,492	2,892
Reconciliation of effective tax rate		
Loss before tax	(341,847)	(320,201)
Share of results of joint ventures and associates (net of tax)	40,520	16,187
Loss before tax excluding share of results of joint ventures and associates	(301,327)	(304,014)
Tax calculated using Singapore tax rate of 17% (2017: 17%)	(51,226)	(51,682)
Effect of tax rates in foreign jurisdictions	4,592	3,805
Income not subject to tax	(26,957)	(6,241)
Net tax exempt income under Section 13A of Income Tax Act	(4,095)	(6,558)
Non-deductible expenses	76,252	58,269
Foreign tax expense	2,625	2,952
Under/(Over) provision in respect of prior years	6	(79)
Current year losses for which no deferred tax asset was recognised	1,556	2,393
Others	(261)	33
	2,492	2,892

The Group has unrecognised deferred tax assets in respect of tax losses of US\$8,816,000 (2017: US\$8,851,000) at the statement of financial position date. Deferred tax assets have not been recognised because the Group does not consider it probable that these will be future taxable profits of certain subsidiaries available to utilise these tax losses. These tax losses, which are available to set-off against future taxable income in the foreseeable future, are also subject to agreement by the tax authorities and compliance with tax regulations prevailing in the respective countries.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended 31 December was based on:

	Group	
	2018 US\$'000	2017 US\$'000
Loss attributable to owners of the Company	(344,339)	(323,093)
Less:		
Accrued perpetual securities distributions	860	(7,634)
Loss attributable to owners after adjustments of accrued perpetual securities distributions	(343,479)	(330,727)

Weighted average number of ordinary shares

	2018 '000	2017 '000
Issued ordinary shares at 1 January, excluding treasury shares	2,073,843	2,073,843
Effect of issue of new ordinary shares	1,075,514	-
Weighted average number of ordinary shares during the year	3,149,357	2,073,843

The average market value of the Company's shares for purposes of calculating dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. As the Group was in a loss position in 2018 and 2017, the share options, redeemable exchangeable preference shares and convertible equity and debt securities were not included in the computation of diluted loss per share because these potential ordinary shares would have been anti-dilutive.

27 DISPOSAL OF SUBSIDIARIES

In August 2017, the Group entered into a share purchase agreement with Sea Explorer Ltd ("Sea Explorer"), a wholly-owned entity of the Company's Malaysian business partner in the offshore and marine sector, pursuant to which Sea Explorer shall acquire 50% shareholding in Teras Conquest 8 Pte Ltd ("TC8") and Teras Lyza Pte Ltd ("TLyza") from the Group for a total cash consideration of US\$10 million.

Upon completion of the above transaction, the Group would own 50% of the total issued ordinary shares in the capital of TC8 and TLyza and both the companies were classified as joint venture companies of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

27 DISPOSAL OF SUBSIDIARIES (CONT'D)

The net assets of subsidiaries disposed during the year ended 31 December 2017 are provided below:

	TC8 US\$'000	TLyza US\$'000	Total US\$'000
Net identifiable assets disposed	795	94	889
Group's 50% share on the net assets	398	48	446
Sales consideration	5,000	5,000	10,000
Gain on disposal of subsidiaries*	4,602	4,952	9,554

* Gain on disposal of subsidiaries was included in, and presented as part of "other income" in the consolidated income statement.

28 OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's key management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- (a) Liftboats: engaged in the owning, chartering and management of self-propelled rigs involved in the production and maintenance phase of the oil and gas industry as well as the offshore windfarm industry.
- (b) Jack-up rigs: engaged in the owning, chartering and management of non self-propelled rigs involved in the production, maintenance and exploration phase of the oil and gas industry as well as offshore windfarm accommodation market.
- (c) Offshore support logistics services: engaged in the owning, chartering and management of oil and gas related offshore logistics support vessels.
- (d) Others: assets or investments involved in renewable energy and other oil and gas related industry.

The accounting policies of the reportable segments are the same as described in Note 4.15.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

28 OPERATING SEGMENTS (CONT'D)

Business segments

	Liftboats US\$'000	Jack-up rigs US\$'000	Offshore support logistics services US\$'000	Others US\$'000	Total operations US\$'000
Year ended 31 December 2018					
Revenue	68,737	40,463	8,948	548	118,696
Reportable segment results from operating activities	14,410	16,626	(1,212)	548	30,372
Depreciation expense	(27,600)	(16,947)	(6,327)	–	(50,874)
Impairment loss on plant and equipment	–	(64,252)	(15,921)	–	(80,173)
Impairment loss/write- off of trade receivables, other assets, loans to joint ventures and loss allowances for financial guarantees to joint ventures (net)	(34,266)	(223,707)	(18,764)	–	(276,737)
Other income	3,722	5,174	918	6,397	16,211
Share of results of joint ventures and associates, net of tax	1,402	(15,677)	(6,267)	(19,978)	(40,520)
Finance income	64	3,964	3,674	–	7,702
Finance expense	(16,335)	(16,471)	(12,179)	–	(44,985)
Unallocated expenses					97,157
Loss before tax					(341,847)
Tax expense					(2,492)
Loss for the year					(344,339)
Reportable segment assets	754,209	245,053	92,544	–	1,091,806
Investment in joint ventures and associates	70,281	–	31,896	31,941	134,118
Unallocated assets					116,177
Total assets					1,342,101
Reportable segment liabilities	602,810	860,328	87,682	–	1,550,820
Unallocated liabilities					46,033
Total liabilities					1,596,853
Capital expenditure	68,533	9,698	2,078	–	80,309
Unallocated capital expenditure					27
Total capital expenditure					80,336

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

28 OPERATING SEGMENTS (CONT'D)

Business segments (cont'd)

	Liftboats US\$'000	Jack-up rigs US\$'000	Offshore support logistics services US\$'000	Others US\$'000	Total operations US\$'000
Year ended 31 December 2017					
Revenue	97,393	76,238	18,935	542	193,108
Reportable segment results from operating activities	68,990	59,917	14,406	542	143,855
Depreciation expense	(27,582)	(29,684)	(9,219)	-	(66,485)
Impairment loss on plant and equipment	-	(64,816)	(13,563)	-	(78,379)
Impairment loss/write-off of trade receivables, other assets and loans to joint ventures	(49,210)	(138,605)	(11,761)	-	(199,576)
Other income	10,575	-	-	-	10,575
Share of results of joint ventures and associates, net of tax	5	(1,198)	6,906	(21,900)	(16,187)
Finance income	1,425	1,924	1,164	-	4,513
Finance expense	(16,172)	(15,269)	(5,105)	-	(36,546)
Unallocated expenses					(81,971)
Loss before tax					(320,201)
Tax expense					(2,892)
Loss for the year					(323,093)
Reportable segment assets	698,979	298,053	284,280	-	1,281,312
Investment in joint ventures and associates	21,592	37,943	38,585	80,817	178,937
Unallocated assets					69,997
Total assets					1,530,246
Reportable segment liabilities	570,588	589,585	417,531	-	1,577,704
Unallocated liabilities					53,230
Total liabilities					1,630,934
Capital expenditure	10,472	26,442	481	-	37,395
Unallocated capital expenditure					45
Total capital expenditure					37,440

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

28 OPERATING SEGMENTS (CONT'D)

Geographical segments

The businesses of the Group are operated in seven principal geographical areas, namely, Singapore, India, Brunei, Thailand, Mauritius, Middle East, Nigeria and other countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location where assets are registered.

	Revenue		Non-current assets ⁽¹⁾	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Singapore	9,496	11,472	656,787	656,696
India	6,324	26,684	–	–
Brunei	14,038	18,400	–	–
Thailand	31,901	31,901	–	–
Mauritius	–	–	127,931	170,468
Middle East	18,770	63,242	–	–
Nigeria	18,062	3,799	–	–
Other countries	20,105	37,610	134,351	157,172
	118,696	193,108	919,069	984,336

(1) Non-current assets consist of plant and equipment.

Major customers

During the financial year ended 31 December 2018, the Group had two (2017: none) customers in the Liftboats segment and one (2017: two) customer Jack-up rigs segments that contributed 10% or more of the Group's total revenue. Revenue from these customers amounted to US\$64,001,000 (2017: US\$56,613,000).

29 COMMITMENTS

[a] Capital commitments

	Group	
	2018 US\$'000	2017 US\$'000
Contracted but not provided for:		
Within 1 year	–	58,700
After 1 year but within 5 years	–	250,000
	–	308,700

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

29 COMMITMENTS (CONT'D)

[a] Capital commitments (cont'd)

During the year, the Group cancelled its contractual commitments for three vessels amounting to US\$250,000,000 and took delivery of a vessel amounting to US\$50,300,000.

[b] Operating lease expense commitments (as lessee)

At the reporting date, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2018 US\$'000	2017 US\$'000
Within 1 year	493	22,234
After 1 year but within 5 years	–	59,392
	493	81,626

Operating lease expense commitments at the reporting date represent rentals payable by the Group for its office space (2017: vessel charters and office space). The lease from office rental are for a period of 7 months (2017: 1 to 3 years) from 1 January 2019 to 31 July 2019 (2017: 1 January 2018 to 31 December 2020).

During the year, the Group and the lessors mutually agreed to cancel the leases for vessel charters.

[c] Operating lease income commitments (as lessor)

The Group charters out its vessels and rigs. At the reporting date, the total future minimum lease receivables under non-cancellable operating lease rentals are as follows:

	Group	
	2018 US\$'000	2017 US\$'000
Within 1 year	103,739	216,022
After 1 year but within 5 years	210,867	512,787
After 5 years	56,421	40,455
	371,027	769,264

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

29 COMMITMENTS (CONT'D)

(c) Operating lease income commitments (as lessor) (cont'd)

Operating lease income commitments represent rentals receivable from customers from the Group's vessels and rigs charter. The lease terms are negotiated on fixed terms till expiry of the lease. Included in the above future minimum lease receivables under non-cancellable operating lease rentals are amounts arising from customers' options to extend their vessel charter within 1 year, after 1 year but within 5 years and after 5 years of US\$62,888,000 (2017: US\$Nil), US\$94,876,000 (2017: US\$166,763,000) and US\$56,421,000 (2017: US\$40,455,000) respectively.

30 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

Key management personnel compensation and key executives compensation

Key management personnel compensation and key executives compensation comprised:

	Group	
	2018 US\$'000	2017 US\$'000
Short-term employee benefits	2,356	2,179
Share-based payments	101	785

Other related party transactions

	Group	
	2018 US\$'000	2017 US\$'000
Transactions with joint ventures		
Interest income received and receivable	2,546	1,904
Management fee income from joint ventures	300	251
Transactions with associates		
Interest income received and receivable	1,052	1,119
Management fee income from associates	212	291

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

31 ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is discussed as follows:

Impairment of plant and equipment

The Group assesses the impairment of plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Extended periods of idle time;
- Inability to contract specific assets or groups of assets; and
- Significant adverse industry or economic trends.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to plant and equipment affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the Group's financial statements.

Impairment of trade receivables

Trade receivables are recorded at the invoiced amount and do not bear interest.

The loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates to be applied for the respective category of the trade receivables. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation including evaluation of the Group's past history of loss rate, existing market conditions as well as forward looking estimates at the end of each reporting period. In assessing the segmentation of the customers for the loss allowance, judgement is involved in determining the credit-worthiness and financial health of its customers. Where their conditions change, this may require changes in the customers' segmentation, which in turn may affect the level of loss allowance in future periods.

If the Group is satisfied that no recovery of the amount owing is possible, at that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset. Actual results could differ from estimates.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing those risks.

Risk management framework

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's principal financial instruments comprise cash and cash equivalents and bank loans. The main purpose of these financial instruments is to finance the Group's operations. The other financial instruments such as trade and other receivables and trade and other payables are directly from its operations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables.

The carrying amount of financial assets in the statement of financial position represents the Group's and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of its financial assets.

Impairment losses on financial assets recognised in profit or loss were as follows:

	Group	
	2018	2017
	US\$'000	US\$'000
Impairment loss on:		
- trade receivables	2,137	110,157

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in Note 28.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

The Group has six (2017: six) third party trade receivables which account for approximately 72% (2017: 67%) of the total trade receivables as at 31 December 2018. The remaining third party trade receivables are individually insignificant.

Exposure to credit risk

The exposure to credit risk for trade receivables at the reporting date by type of customer was as follows:

	Group			Company		
	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000
Government related and multi-national entities	50,423	75,242	163,202	4,289	–	–
Small-medium enterprises	18,840	6,282	15,697	982	194	242
Subsidiaries	–	–	–	2,577	9,189	9,357
	69,263	81,524	178,899	7,848	9,383	9,599

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Exposure to credit risk (cont'd)

The age analysis of trade receivables for the Group and Company is as follows:

	Gross	Impairment	Gross	Impairment	Gross	Impairment
	31	31	31	31	1	1
	December	December	December	December	January	January
	2018	2018	2017	2017	2017	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group						
Not past due or less than 60 days overdue	25,750	(1,041)	35,257	–	74,630	–
Past due 61 – 120 days	4,499	(201)	8,840	(389)	14,264	–
Past due more than 120 days	228,604	(188,348)	222,574	(184,758)	164,995	(74,990)
	258,853	(189,590)	266,671	(185,147)	253,889	(74,990)
Company						
Not past due	24,536	(16,688)	13,204	(3,821)	9,599	–

Expected credit loss (“ECL”) assessment for customers as at 31 December 2018

The Group allocates exposure from key customers to a credit risk grade based on data that is determined to be indicative of the risk of loss (including but not limited to external ratings if available, audited financial statements to calculate the internal risk rating using the Altman Z-score method, and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Standards and Poor's.

ECL rate is calculated based on probabilities of default and loss given default. Lifetime probabilities of default are based on external ratings from Bloomberg L.P. adjusted for time horizon of the credit exposure, or historical data supplied by Standards and Poor's for each credit rating. The Group monitors changes in credit risk through on-going review of customer credit worthiness and by tracking published external credit ratings.

Loss rates are adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Expected credit loss ("ECL") assessment for customers as at 31 December 2018 (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables for customers with credit ratings (or equivalent):

	Credit impaired	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
2018				
Group				
<i>Receivables measured at lifetime ECL</i>				
- Trade receivables	Yes	187,881	(187,881)	-
<i>Receivables measured at lifetime ECL</i>				
- Trade receivables	No	70,972	(1,709)	69,263
Company				
<i>Receivables measured at lifetime ECL</i>				
- Trade receivables	Yes	16,688	(16,688)	-
<i>Receivables measured at lifetime ECL</i>				
- Trade receivables	No	7,848	-	7,848

There were no trade receivables for which credit risk has increased significantly since initial recognition but that are not credit-impaired.

Loss allowance

The Group assesses on a forward-looking basis the expected credit losses associated with trade receivables.

Loss rates are calculated using Standards and Poor's energy and natural resources industry default rate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Loss allowance (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Credit impaired	Weighted average loss rate %	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
2018					
Group					
Not past due or less than 60 days overdue	No	4.74	21,953	(1,041)	20,912
Past due 61 – 120 days	No	4.74	4,241	(201)	4,040
Past due more than 120 days	No	4.74	9,872	(467)	9,405
Total			36,066	(1,709)	34,357
Company					
Not past due	No	–	–	–	–

Comparative information under FRS 39

The age analysis of trade receivables as at 31 December 2017 is as follows:

	31 December 2017		1 January 2017	
	Gross US\$'000	Impairment US\$'000	Gross US\$'000	Impairment US\$'000
Group				
Not past due or less than 60 days overdue	35,257	–	74,630	–
Past due 61 – 120 days	8,840	(389)	14,264	–
Past due more than 120 days	222,574	(184,758)	164,995	(74,990)
	266,671	(185,147)	253,889	(74,990)
Company				
Not past due	13,204	(3,821)	9,599	–

At 31 December 2017, an impairment loss of US\$185,147,000 (1 January 2017: US\$74,990,000) was recognised. The impairment loss related to balances which the Group believes the customers are not expecting to be able to pay. Apart from the above, based on historical default rates, the Group believes that no additional impairment allowance is necessary in respect of the remaining trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Comparative information under FRS 39 (cont'd)

Movements in the allowance for impairment of trade receivables are as follows:

	Group	Company
	Lifetime ECL	Lifetime ECL
	US\$'000	US\$'000
Balance at 1 January 2018 per FRS 39	185,147	3,821
Adjustments on initial application of SFRS(I) 9	2,306	–
Balance at 1 January 2018 under SFRS(I) 9	187,453	3,821
Impairment loss recognised	6,116	12,867
Loss allowance written back	(3,979)	–
Balance at 31 December 2018	189,590	16,688
	Group	Company
	US\$'000	US\$'000
Balance at 1 January 2017 per FRS 39	74,990	–
Allowance made	110,157	3,821
Balance at 31 December 2017	185,147	3,821

The total net impairment loss of US\$2,137,000 (2017: US\$110,157,000) has been recognised in 'other expenses' in the consolidated income statement.

Cash and cash equivalents

Cash and fixed deposits are placed with banks and approved financial institutions.

Financial guarantees

The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries and joint ventures.

Financial guarantees provided by the Company to its subsidiaries are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Financial guarantees (cont'd)

Financial guarantees comprise guarantees granted by the Company to banks in respect of the following banking facilities of its subsidiaries and joint ventures:

	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000
Subsidiaries	1,124,676	905,923	996,929
Joint ventures	111,358	170,745	112,616
	1,236,034	1,076,668	1,109,545

As at 31 December 2018, US\$1,236,034,000 (2017: US\$1,076,668,000; 1 January 2017: US\$1,109,545,000) of the banking facilities was utilised.

At 31 December 2018, the Group and Company recognised ECL provision as the ECL amount was higher than the amortised liability for financial guarantee contracts. The Group and Company considers it probable that a claim will be made against the Group and Company under the guarantee.

	Group ECL US\$'000	Company ECL US\$'000
Balance at 1 January 2018	–	–
Loss allowances for ECLs	63,852	592,569
Balance at 31 December 2018	63,852	592,569

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient level of cash and cash equivalents and bank facilities to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

As at 31 December 2018, the Group and the Company are in net liabilities position of US\$254,752,000 and US\$790,768,000 respectively. The Company also has net current liabilities of US\$318,697,000 at year end.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

The directors are of the opinion that the Group and the Company are able to meet their obligations for the next financial year as and when they fall due having regard to the following:

- (i) The directors have carried out a review of the cash flow forecasts of the Group and the Company for the next twelve months from the date of this report. Based on such forecasts, the directors have concluded that adequate liquidity exists to finance the requirements of the Group and the Company. In reviewing the cash flow forecasts, the directors have considered the cash requirements of the Group and the Company as well as other key factors, including the ability of the Group to generate sufficient cash flows to satisfy the Group's and the Company's future working capital needs, which may impact the operations of the Group and the Company during the next financial year. The directors are of the opinion that the assumptions which are included in the cash flow forecasts are reasonable;
- (ii) The Group and Company have adequate financial arrangements and continually monitor funding facilities to ensure adequate funds are available to meet the funding needs of the Group and the Company; and
- (iii) As at 31 December 2018, the Group has no contractual capital commitments.
- (iv) As at 31 December 2018, the Group has cash and cash equivalents amounting to US\$49,029,000 and undrawn banking facilities amounting to US\$58,000,000.

Refer to Note 2 for management's assessment on the appropriateness of the continuing use of the going concern assumption in the preparation of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

Exposure to liquidity risk

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount US\$'000	Cash flows			
		Contractual cash flows US\$'000	Within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000
Group					
2018					
Non-derivative					
financial liabilities					
Secured bank loans	1,217,201	(1,489,273)	(43,851)	(174,219)	(1,271,203)
Unsecured bank loans	8,635	(8,721)	(8,721)	-	-
Debt securities	118,701	(183,561)	(439)	(87,312)	(95,810)
Finance lease liabilities	11	(12)	(12)	-	-
Financial guarantees	62,463	(111,358)	-	-	(111,358)
Trade payables	72,333	(72,333)	(72,333)	-	-
Other payables ⁽¹⁾	91,321	(91,321)	(61,561)	(29,760)	-
	1,570,665	(1,956,579)	(186,917)	(291,291)	(1,478,371)
2017					
Non-derivative					
financial liabilities					
Secured bank loans	944,596	(1,034,333)	(1,034,333)	-	-
Unsecured bank loans	53,231	(58,288)	(58,288)	-	-
Debt securities	406,391	(420,377)	(63,672)	(356,705)	-
Finance lease liabilities	27	(29)	(15)	(14)	-
Financial guarantees	4,696	(170,745)	(170,745)	-	-
Trade payables	89,057	(89,057)	(89,057)	-	-
Other payables ⁽¹⁾	102,667	(102,667)	(76,312)	(26,355)	-
	1,600,665	(1,875,496)	(1,492,422)	(383,074)	-
1 January 2017					
Non-derivative					
financial liabilities					
Secured bank loans	1,000,779	(1,095,057)	(287,398)	(776,700)	(30,959)
Unsecured bank loans	113,600	(117,096)	(104,118)	(12,978)	-
Debt securities	372,040	(432,353)	(17,405)	(414,948)	-
Finance lease liabilities	47	(49)	(24)	(25)	-
Financial guarantees	4,696	(112,616)	(112,616)	-	-
Trade payables	112,074	(112,074)	(112,074)	-	-
Other payables ⁽¹⁾	58,673	(58,673)	(24,712)	(33,961)	-
	1,661,909	(1,927,918)	(658,347)	(1,238,612)	(30,959)

⁽¹⁾ Excludes downpayments and advances from customers and deferred revenue.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

Exposure to liquidity risk (cont'd)

	Carrying amount US\$'000	Cash flows			
		Contractual cash flows US\$'000	Within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000
Company					
2018					
Non-derivative financial liabilities					
Secured bank loans	143,929	(179,175)	(5,355)	(21,236)	(152,584)
Unsecured bank loans	8,635	(8,721)	(8,721)	–	–
Debt securities	118,701	(183,561)	(439)	(87,312)	(95,810)
Finance lease liabilities	11	(12)	(12)	–	–
Financial guarantees	679,406	(1,236,034)	–	–	(1,236,034)
Trade payables	69	(69)	(69)	–	–
Other payables ⁽¹⁾	423,674	(423,674)	(338,628)	(85,046)	–
	1,374,425	(2,031,246)	(353,224)	(193,594)	(1,484,428)
2017					
Non-derivative financial liabilities					
Secured bank loans	44,458	(48,682)	(48,682)	–	–
Unsecured bank loans	53,231	(58,288)	(58,288)	–	–
Debt securities	406,391	(420,377)	(63,672)	(356,705)	–
Finance lease liabilities	27	(29)	(15)	(14)	–
Financial guarantees	80,291	(1,076,668)	(1,076,668)	–	–
Trade payables	102	(102)	(102)	–	–
Other payables ⁽¹⁾	408,914	(408,914)	(329,973)	(78,941)	–
	993,414	(2,013,060)	(1,577,400)	(435,660)	–
1 January 2017					
Non-derivative financial liabilities					
Secured bank loans	41,054	(43,347)	(1,716)	(41,631)	–
Unsecured bank loans	113,600	(117,096)	(104,118)	(12,978)	–
Debt securities	372,040	(432,353)	(17,405)	(414,948)	–
Finance lease liabilities	47	(49)	(24)	(25)	–
Financial guarantees	80,293	(1,109,545)	(1,109,545)	–	–
Trade payables	198	(198)	(198)	–	–
Other payables ⁽¹⁾	250,857	(250,857)	(109,040)	(141,817)	–
	858,089	(1,953,445)	(1,342,046)	(611,399)	–

⁽¹⁾ Excludes downpayments and advances from customers and deferred revenue.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's interest rate risk exposure relates primarily to its long-term debt obligations as they are subject to fluctuating interest rates that reset according to market rates change. The Group enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

At 31 December 2018, the Group has interest rate swaps with total notional contract amount of US\$45,000,000 (2017: US\$75,000,000; 1 January 2017: US\$225,000,000) whereby the Group has agreed with counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured and unsecured term loans.

At 31 December 2018, the Group has fixed deposits account with fixed interest rates according to market rates in regulated banks.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial interests, as reported to the management, was as follows:

Variable rate instruments

	Group and Company Nominal amount		
	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000
Interest rate swaps	45,000	75,000	225,000

	Group Carrying amount			Company Carrying amount		
	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000	2018 US\$'000	2017 US\$'000	1 Jan 2017 US\$'000
USD secured floating rate loans	(1,092,463)	(900,138)	(959,725)	(22,855)	-	-
SGD secured floating rate loans	(124,738)	(44,458)	(41,054)	(121,074)	(44,458)	(41,054)
USD unsecured floating rate loans	-	(53,231)	(113,600)	-	(53,231)	(113,600)
	(1,217,201)	(997,827)	(1,114,379)	(143,929)	(97,689)	(154,654)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting dates would not affect profit or loss.

For the variable rate financial assets and liabilities, a change of 100 basis point ("bp") in interest rate at the reporting date would increase/(decrease) profit before tax and equity by the pre-tax amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax		Equity	
	100 bp Increase US\$'000	100 bp Decrease US\$'000	100 bp Increase US\$'000	100 bp Decrease US\$'000
Group				
31 December 2018				
Interest-bearing loans	(12,172)	12,172	-	-
Interest rate swaps	317	(317)	463	(463)
31 December 2017				
Interest-bearing loans	(9,978)	9,978	-	-
Interest rate swaps	750	(750)	1,313	(1,313)
1 January 2017				
Interest-bearing loans	(11,144)	11,144	-	-
Interest rate swaps	1,600	(1,600)	2,913	(2,913)
Company				
31 December 2018				
Interest-bearing loans	(1,439)	1,439	-	-
Interest rate swaps	317	(317)	463	(463)
31 December 2017				
Interest-bearing loans	(977)	977	-	-
Interest rate swaps	750	(750)	1,313	(1,313)
1 January 2017				
Interest-bearing loans	(1,547)	1,547	-	-
Interest rate swaps	1,600	(1,600)	2,913	(2,913)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk

The Group has exposure to foreign currency risk as a result of its operations in several countries. The currencies giving rise to this risk as at 31 December 2018 is primarily Singapore dollar ("SGD") (31 December 2017 and 1 January 2017: US dollar ("USD"), SGD and Australian dollar ("AUD")).

In respect of other monetary assets and liabilities held in currencies other than the functional currencies of respective entities, the Group ensures that the net exposure is kept to an acceptable level by buying currencies at spot rates, where necessary, to address short term imbalances.

The Group's and the Company's exposures to foreign currencies are as follows:

	SGD US\$'000	Others US\$'000	Total US\$'000
Group			
31 December 2018			
Trade receivables and other assets	1,677	3,219	4,896
Cash and cash equivalents	14,113	3,724	17,837
Trade and other payables	(18,390)	(2,641)	(21,031)
Financial liabilities	(131,357)	–	(131,357)
Debt securities	(118,701)	–	(118,701)
	(252,658)	4,302	(248,356)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

	USD US\$'000	SGD US\$'000	AUD US\$'000	Others US\$'000	Total US\$'000
31 December 2017					
Receivable from associate	-	1,683	472	-	2,155
Trade receivables and other assets	1,154	2,232	410	943	4,739
Cash and cash equivalents	11	8,318	143	1,441	9,913
Trade and other payables	(118)	(29,088)	(723)	(3,961)	(33,890)
Financial liabilities	-	(52,372)	-	-	(52,372)
Debt securities	-	(406,391)	-	-	(406,391)
	1,047	(475,618)	302	(1,577)	(475,846)

1 January 2017

Receivable from associate	-	1,556	438	-	1,994
Trade receivables and other assets	2,054	2,687	2,551	-	7,292
Cash and cash equivalents	18	139,926	25	1,776	141,745
Trade and other payables	(387)	(20,740)	(2,826)	(2,110)	(26,063)
Financial liabilities	-	(41,485)	-	-	(41,485)
Debt securities	-	(372,040)	-	-	(372,040)
	1,685	(290,096)	188	(334)	(288,557)

	SGD US\$'000	Others US\$'000	Total US\$'000
Company			
31 December 2018			
Trade receivables and other assets	66,786	5,489	72,275
Cash and cash equivalents	2,018	646	2,664
Trade and other payables	(22,857)	(12)	(22,869)
Financial liabilities	(131,357)	-	(131,357)
Debt securities	(118,701)	-	(118,701)
	(204,111)	6,123	(197,988)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

	SGD US\$'000	AUD US\$'000	Others US\$'000	Total US\$'000
31 December 2017				
Receivable from associate	1,683	472	–	2,155
Trade receivables and other assets	2,005	264	–	2,269
Cash and cash equivalents	6,501	–	92	6,593
Trade and other payables	(19,756)	–	–	(19,756)
Financial liabilities	(44,890)	–	–	(44,890)
Debt securities	(406,391)	–	–	(406,391)
	(460,848)	736	92	(460,020)
1 January 2017				
Receivable from associate	1,556	438	–	1,994
Trade receivables and other assets	2,453	245	–	2,698
Cash and cash equivalents	138,406	2	–	138,408
Trade and other payables	(12,900)	(12)	(3)	(12,915)
Financial liabilities	(41,485)	–	–	(41,485)
Debt securities	(372,040)	–	–	(372,040)
	(284,010)	673	(3)	(283,340)

Sensitivity analysis

A 10% strengthening of US dollar against the following currencies at the reporting date would increase/(decrease) profit before tax by the pre-tax amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Profit before tax US\$'000	Company Profit before tax US\$'000
31 December 2018		
Singapore dollar	25,266	20,411
Others	(430)	(612)
31 December 2017		
US dollar	(105)	–
Singapore dollar	47,562	46,085
Australian dollar	(30)	(74)
Others	158	(9)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

	Group	Company
	Profit before tax	Profit before tax
	US\$'000	US\$'000
1 January 2017		
US dollar	(169)	-
Singapore dollar	29,010	28,401
Australian dollar	(19)	(67)
Others	33	-

A 10% weakening of US dollar against the above currencies would have had the equal but opposite effect on the above currencies to the pre-tax amounts shown above, on the basis that all other variables remain constant.

Fair values versus carrying amounts

Non-derivative financial assets and liabilities

The carrying amounts of the Group's and the Company's financial instruments, other than equity investment at FVOCI, interest rate swaps used for hedging and debt securities, are carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018 and 31 December 2017 due to their short-term nature and immaterial effects of discounting.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category

The carrying amounts and fair values of financial assets and financial liabilities are as follows:

Group	Note	Fair value – hedging instruments US\$'000	Amortised cost US\$'000	FVOCI – equity instruments US\$'000	Financial liabilities at FVTPL US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
31 December 2018								
Financial assets not measured at fair value								
Other assets ⁽¹⁾	9	-	153,456	-	-	-	153,456	153,456
Trade receivables	10	-	69,263	-	-	-	69,263	69,263
Cash and cash equivalents	12	-	49,029	-	-	-	49,029	49,029
Financial assets measured at fair value								
Equity investment – at FVOCI	9	-	-	6,397	-	-	6,397	6,397
Interest rate swaps used for hedging	9	713	-	-	-	-	713	713
Financial liabilities not measured at fair value								
Other payables ⁽²⁾	17	-	-	-	-	(91,321)	(91,321)	(91,321)
Trade payables	20	-	-	-	-	(72,333)	(72,333)	(72,333)
Financial liabilities ⁽³⁾	19	-	-	-	-	(1,288,299)	(1,288,299)	(1,288,299)
Finance lease liabilities	19	-	-	-	-	(11)	(11)	(11)
Debt securities ⁽⁴⁾	18	-	-	-	-	(58,363)	(58,363)	(61,956)
Financial liabilities measured at fair value								
Debt securities	18	-	-	-	(60,338)	-	(60,338)	(60,338)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category [cont'd]

	Note	Fair value – hedging instruments US\$'000	Loans and receivables US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair Value US\$'000
Group						
31 December 2017						
Financial assets not measured at fair value						
Other assets ⁽¹⁾	9	-	193,668	-	193,668	193,668
Trade receivables	10	-	81,524	-	81,524	81,524
Cash and cash equivalents	12	-	46,469	-	46,469	46,469
Financial asset measured at fair value						
Interest rate swaps used for hedging	9	3,749	-	-	3,749	3,749
Financial liabilities not measured at fair value						
Other payables ⁽²⁾	17	-	-	(102,667)	(102,667)	(102,667)
Trade payables	20	-	-	(89,057)	(89,057)	(89,057)
Financial liabilities ⁽³⁾	19	-	-	(1,002,523)	(1,002,523)	(1,002,523)
Finance lease liabilities	19	-	-	(27)	(27)	(27)
Debt securities	18	-	-	(406,391)	(406,391)	(184,611)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category [cont'd]

Group	Note	Fair value – hedging instruments US\$'000	Loans and receivables US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair Value US\$'000
1 January 2017						
Financial assets not measured at fair value						
Other assets ⁽¹⁾	9	-	114,450	-	114,450	114,450
Trade receivables	10	-	178,899	-	178,899	178,899
Cash and cash equivalents	12	-	204,953	-	204,953	204,953
Financial asset measured at fair value						
Interest rate swaps used for hedging	9	2,131	-	-	2,131	2,131
Financial liabilities not measured at fair value						
Other payables ⁽²⁾	17	-	-	(58,673)	(58,673)	(58,673)
Trade payables	20	-	-	(112,074)	(112,074)	(112,074)
Financial liabilities ⁽³⁾	19	-	-	(1,119,075)	(1,119,075)	(1,119,075)
Finance lease liabilities	19	-	-	(47)	(47)	(47)
Debt securities	18	-	-	(372,040)	(372,040)	(286,254)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category [cont'd]

	Note	Fair value – hedging instruments US\$'000	Amortised cost US\$'000	FVOCI – equity instruments US\$'000	Financial liabilities at FVTPL US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
Company								
31 December 2018								
Financial assets not measured at fair value								
Other assets ⁽¹⁾	9	-	34,598	-	-	-	34,598	34,598
Trade receivables	10	-	7,848	-	-	-	7,848	7,848
Cash and cash equivalents	12	-	9,237	-	-	-	9,237	9,237
Financial assets measured at fair value								
Equity investment – at FVOCI	9	-	-	6,397	-	-	6,397	6,397
Interest rate swaps used for hedging	9	713	-	-	-	-	713	713
Financial liabilities not measured at fair value								
Other payables ⁽²⁾	17	-	-	-	-	(423,674)	(423,674)	(423,674)
Trade payables	20	-	-	-	-	(69)	(69)	(69)
Financial liabilities ⁽³⁾	19	-	-	-	-	(831,970)	(831,970)	(831,970)
Finance lease liabilities	19	-	-	-	-	(11)	(11)	(11)
Debt securities ⁽⁴⁾	18	-	-	-	-	(58,363)	(58,363)	(61,956)
Financial liabilities measured at fair value								
Debt securities	18	-	-	-	(60,338)	-	(60,338)	(60,338)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category [cont'd]

	Note	Fair value – hedging instruments US\$'000	Loans and receivables US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair Value US\$'000
Company						
31 December 2017						
Financial assets not measured at fair value						
Other assets ⁽¹⁾	9	-	96,979	-	96,979	96,979
Trade receivables	10	-	9,383	-	9,383	9,383
Cash and cash equivalents	12	-	20,255	-	20,255	20,255
Financial asset measured at fair value						
Interest rate swaps used for hedging	9	3,749	-	-	3,749	3,749
Financial liabilities not measured at fair value						
Other payables ⁽²⁾	17	-	-	(408,914)	(408,914)	(408,914)
Trade payables	20	-	-	(102)	(102)	(102)
Financial liabilities ⁽³⁾	19	-	-	(177,980)	(177,980)	(177,980)
Finance lease liabilities	19	-	-	(27)	(27)	(27)
Debt securities	18	-	-	(406,391)	(406,391)	(184,611)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category [cont'd]

	Note	Fair value – hedging instruments US\$'000	Loans and receivables US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair Value US\$'000
Company						
1 January 2017						
Financial assets not measured at fair value						
Other assets ⁽¹⁾	9	-	67,922	-	67,922	67,922
Trade receivables	10	-	9,599	-	9,599	9,599
Cash and cash equivalents	12	-	149,497	-	149,497	149,497
Financial asset measured at fair value						
Interest rate swaps used for hedging	9	2,131	-	-	2,131	2,131
Financial liabilities not measured at fair value						
Other payables ⁽²⁾	17	-	-	(250,857)	(250,857)	(250,857)
Trade payables	20	-	-	(198)	(198)	(198)
Financial liabilities ⁽³⁾	19	-	-	(234,947)	(234,947)	(234,947)
Finance lease liabilities	19	-	-	(47)	(47)	(47)
Debt securities	18	-	-	(372,040)	(372,040)	(286,254)

(1) Excludes advances to suppliers, prepayments, interest rate swaps used for hedging and equity investments.

(2) Excludes downpayments and advances from customers and deferred revenue.

(3) Excludes finance lease liabilities.

(4) Excludes Series B bonds.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and financial liabilities measured at fair value

	Note	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Group and Company					
31 December 2018					
Assets					
Equity investment at FVOCI	9	6,397	–	–	6,397
Interest rate swaps used for hedging	9	–	713	–	713
Liabilities					
Debt securities	18	–	–	(60,338)	(60,338)
31 December 2017					
Assets					
Interest rate swaps used for hedging	9	–	3,749	–	3,749
1 January 2017					
Assets					
Interest rate swaps used for hedging	9	–	2,131	–	2,131

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy (cont'd)

*Financial assets and financial liabilities not measured at fair value but for which fair values are disclosed**

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Group and Company				
31 December 2018				
Liabilities				
Debt securities	–	–	(61,956)	(61,956)
31 December 2017				
Liabilities				
Debt securities	(184,611)	–	–	(184,611)
1 January 2017				
Liabilities				
Debt securities	(286,254)	–	–	(286,254)

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair value due to their short-term nature and where the effect of discounting is immaterial.

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

32 FINANCIAL RISK MANAGEMENT (CONT'D)

Valuation techniques and significant unobservable inputs (cont'd)

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group and Company			
Interest rate swaps used for hedging	Market comparison technique: The fair values are based on bank quotes.	Not applicable	Not applicable
Debt securities – Series B	Monte Carlo simulation/discounted cash flows: The valuation model considers: (i) The simulation of bond holders' decision on whether to hold or to exercise the option to convert the bonds into shares. At each simulated time step, the action to be taken by the bond holders is examined and the decision of the bond holders is solely based on maximising the value between the benefit arising from holding the bond until next time step (the "Continuation Value") and the intrinsic value coming from exercising the conversion option, which takes into account the volatility of share price (the "Exercise Value"); (ii) Through iterative comparisons, the eventual payoff at the first step is taken to be the fair value of the bond; and (iii) The Continuation Value and the Exercise Value have different risk profiles and they are discounted at different discount rates to reflect the risks associated with each type of payoff. The payoffs of conversion option are discounted at the risk-free rate and redemption payoffs at a risk-adjusted discount rate.	• Risk-adjusted discount rate (2018: 7.8%) • Volatility of share price (2018: 52.98%)	The estimated fair value would increase (decrease) if: • the risk-adjusted discount rate was lower (higher); or • the volatility of share price is higher (lower).

Financial instruments not measured at fair value

Type	Valuation technique
Group and Company	
Debt securities – Series A and C	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

33 DEBT REFINANCING EXERCISE

During the year, the Group has undergone a debt refinancing exercise ("Refinancing Exercise") with its secured lenders, perpetual securities holders and debt securities holders. At an Extraordinary General Meeting held on 28 March 2018, the shareholders of the Company approved the Refinancing Exercise which was subsequently carried out by way of the following:

- Debt securities: Debt securities for Series 003, 004, 005, 006 and 007 amounting to S\$425,000,000 (US\$317,596,000) were fully redeemed and converted to Series A and Series B bonds. Series A and Series B bonds had longer maturity dates, lower interest rates per annum and Series B bonds have conversion features for bond holders to convert the bonds into ordinary shares of the Company (see Note 18 for the conversion features);
- Perpetual securities: Terms for the Company's perpetual securities were amended. The holder of the perpetual securities had an option to elect between receiving non-convertible bonds known as "Series C", or to retain the existing perpetual securities with an amendment of key terms. The holders of S\$30,500,000 of perpetual securities had opted to receive Series C bonds, while the remaining holders of S\$119,500,000 of perpetual securities had opted to retain and amend the terms of the perpetual securities (see Note 14 for the key amendments for the perpetual securities and Note 18 for the terms of Series C);
- Financial liabilities: The Company has refinanced its loan facilities of approximately US\$1,380,000,000 with the secured lenders which include minimal fixed principal repayments over the next six years and decreased interest rates for these loan facilities. In addition, an aggregate amount of up to US\$109,000,000 in revolving credit facilities is granted to the Company for working capital purposes.

Allotment and issuance of warrants

In April 2018, as part of the Refinancing Exercise, the Company has issued and allotted the following warrants:

- 1,237,190,987 non-listed and non-transferable warrants (the "Warrants (2018-Shareholders)") by the Company to existing shareholders, with each Warrant (2018-Shareholders) carrying the right to subscribe for one new ordinary share in the Company at the exercise price of S\$0.2763 per share, on the basis of three Warrants (2018-Shareholders) for every five shares held by Shareholders;
- 313,875,000 non-listed and transferable warrants (the "Warrants (2018-Securityholders)") by the Company to holders of the Series B bonds or holders of amended perpetual securities who exercise their conversion rights within six months after 13 April 2018, with each Warrant (2018-Securityholders) carrying the right to subscribe for one new share in the Company at the exercise price of S\$0.2763 per share;
- 134,934,465 non-listed and non-transferable warrants (the "Warrants (2018-RCF)") by the Company to the secured lenders, which are all financial institutions regulated by the Monetary Authority of Singapore with a full banking licence in Singapore except for one lender which is an engine equipment manufacturer which the Company purchases engine equipment from, and/or their nominees (collectively, the "Secured Lenders"), with each Warrant (2018-RCF) carrying the right to subscribe for one new share in the Company at the exercise price of S\$0.2763 per share; and

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

33 DEBT REFINANCING EXERCISE (CONT'D)

Allotment and issuance of warrants (cont'd)

- 65,986,622 non-listed and transferable warrants (the "Warrants (2018-Unsecured Lenders)") to three of the unsecured lenders of the Company, which are all financial institutions regulated by the Monetary Authority of Singapore with a full banking license in Singapore, with each Warrant (2018-Unsecured Lenders) carrying the right to subscribe for one new share in the Company at the higher of (i) S\$0.2763 and (ii) the price that represents the six-month volume weighted average price of the shares of the Company prior to each conversion price reset date, which is every six months beginning on the date that is six months after the sixth month from 16 April 2018, subject to a floor conversion price of S\$0.2763.

During the year, warrant holders from Warrant (2018-Shareholders) and Warrant (2018-Unsecured Lenders) exercised 40,901 and 15,478,760 of the warrants respectively.

Allotment and issuance of new ordinary shares

As part of the Refinancing Exercise, the Company has issued and allotted new ordinary shares for the following:

- 96,153,000 new ordinary shares (the "Subscription Shares") by the Company to an investor, at the issue price of S\$0.208 per Subscription Share;
- 157,000,000 new ordinary shares (the "Professional Fees Shares") by the Company to the advisors to the Company for payment of the professional fees, in connection with the Refinancing Exercise, at the issue price of S\$0.2763 per Professional Fees Share;
- 38,111,034 new ordinary shares (the "Interest Shares") by the Company to (i) Securityholders (other than holders of the perpetual securities) who have elected to receive Series B bonds; and (ii) holders of the perpetual securities who have elected to continue to hold the amended perpetual securities, at the issue price of S\$0.2763 per Interest Share;
- 11,442,000 new ordinary shares (the "Securityholders Consent Shares") by the Company to the lenders and holders of the Company's debt securities who submitted or delivered voting instructions voting in favour of the resolutions tabled at the Company's Extraordinary General Meeting held on 28 March 2018 in relation to the Company's debt securities on or prior to 15 November 2017, and do not subsequently revoke or amend such instructions, at the issue price of S\$0.2763 per Securityholders Consent Share; and
- 51,801,003 new ordinary shares (the "TLF Consent Shares") to the Secured Lenders at the issue price of S\$0.2763 per TLF Consent Share.

Financial impact of Refinancing Exercise

The original terms and maturities of the Group and Company's financial liabilities and debt securities have been substantially modified as a result of the Refinancing Exercise. The Refinancing Exercise has effectively lengthened the maturities of the Group and Company's financial liabilities and debt securities with lower interest rates and contractual cash outflow for the next five years. Due to the substantial modification of the terms of the Group and Company's financial liabilities and debt securities, the Group has remeasured the fair value of the financial liabilities and debt securities at the inception date of the Refinancing Exercise and recognised a fair value gain of US\$112,371,000 (Note 23) in the consolidated income statement for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

33 DEBT REFINANCING EXERCISE (CONT'D)

Financial impact of Refinancing Exercise (cont'd)

The impact of the Refinancing Exercise to the relevant accounts are as follows:

	Accrued interest	Other payables	Debt securities	Unsecured bank loans	Secured bank loans	Share capital	Perpetual securities	Cash and cash equivalents	(Profit)/ Loss – fair value adjustments	(Profit)/ Loss – foreign exchange	Equity	Total
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Amended perpetual securities												
– Conversion of amended perpetual securities to shares Series A bonds	14	-	-	-	-	(74,853)	74,853	-	-	-	-	-
– Conversion of notes payable to Series A Series B bonds	18	-	-	24,799	-	-	-	-	(24,799)	-	-	-
– Conversion of notes payable to Series B Series C bonds	18	-	-	39,510	-	-	-	-	(39,897)	387	-	-
– Conversion of perpetual securities to Series C	14	-	-	(12,212)	-	-	26,708	-	-	(3,455)	(11,041)	-
Exercise of warrants by:												
– Shareholders	13	-	-	-	-	(8)	-	8	-	-	-	-
– Unsecured lender	13	-	-	-	3,261	(1,865)	-	-	(1,396)	-	-	-
Issuance of ordinary shares to:												
– Investor	13	-	-	-	-	(15,246)	-	15,246	-	-	-	-
– Advisors to the Company	13	-	33,069	-	-	(21,654)	-	-	(11,415)	-	-	-
– Noteholders and perpetual securities holders	13	8,029	-	-	-	(5,637)	-	-	(2,392)	-	-	-
– Lenders and holders of debt securities	13	-	-	-	-	(10,695)	-	-	10,695	-	-	-
– Secured lenders	13	-	-	-	-	(2,411)	-	-	2,411	-	-	-
Fair value gain on secured bank loans		-	-	-	45,578	-	-	-	(45,578)	-	-	-
	8,029	33,069	201,297	3,261	45,578	(281,569)	101,561	15,254	(112,371)	(3,068)	(11,041)	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

34 SUBSEQUENT EVENTS

Subsequent to the year end, the Company has been informed by Yinson Eden Pte. Ltd. (the "Subscriber") that the Subscriber is in advanced stage discussions with certain lenders ("Designated Lenders") of the Group, where the Subscriber is desirous of acquiring the benefits and rights of such Designated Lenders in respect of up to US\$916,000,000 of the existing loans extended to the Group under the relevant facility and/or credit agreements with such Designated Lenders (the "Relevant Debt"). The Relevant Debt, subject to the terms and conditions of the debt assignment agreements ("Debt Assignment Agreements") to be entered into subsequently between the Subscriber and the Designated Lenders, and is inter-conditional upon the completion of the Conditional Debt Conversion Agreement (as defined below), shall be assigned to the Subscriber and shall be owed by the relevant Group companies directly to the Subscriber upon the completion of such Debt Assignment Agreements (the "Debt Assignment").

The Company has on 31 March 2019 entered into:

- (a) a conditional debt conversion agreement with the Subscriber (the "Conditional Debt Conversion Agreement") to capitalise all of the Relevant Debt (being an amount up to US\$916,000,000, as may be so acquired by the Subscriber pursuant to the Debt Assignment Agreements to be entered into) owed by the Company and/or the relevant Group Company to the Subscriber via the allotment and issue of up to approximately 22,573,570,909 new ordinary shares in the capital of the Company (the "Shares") (the "Subscription Shares") to the Subscriber and/or to such other entities as the Subscriber may direct at an issue price of S\$0.055 per Subscription Share, with fractional entitlements to be disregarded (the "Proposed Subscription"). Following the capitalisation of all of the Relevant Debt via the completion of the allotment and issue of such Subscription Shares by the Company to the Subscriber, the relevant Group Companies shall be deemed to have repaid all of the Relevant Debt to the Subscriber and the Subscriber shall fully release and discharge the relevant Group Companies from their payment obligations of such Relevant Debt; and
- (b) a conditional option agreement with the Subscriber (the "Conditional Option Agreement") for the proposed grant by the Company of 3,360,495,867 non-listed and transferable share options (the "Options") to the Subscriber for S\$1.00, with each Option carrying the right to subscribe for one (1) new Share (the "Option Shares") at the exercise price of S\$0.0605 per Option Share on the terms and conditions of the Conditional Option Agreement (the "Proposed Grant of Options" and collectively with the Proposed Subscription, the "Proposed Transactions").

The completion of the Proposed Subscription, Proposed Grant of Options and Debt Assignment are inter-conditional and shall take place simultaneously. Accordingly, if completion of any one of the Proposed Subscription, Proposed Grant of Options and/or the Debt Assignment does not proceed, neither the Company nor the Subscriber shall be obliged to proceed with the other.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

34 SUBSEQUENT EVENTS (CONT'D)

Upon completion of the Proposed Subscription, the Subscriber will hold up to approximately 22,573,570,909 Shares representing up to approximately 85.9% of the enlarged share capital of the Company as at 31 March 2019. Assuming full exercise of the Options, the Subscriber will hold up to approximately 25,934,066,776 Shares representing up to approximately 87.5% of the enlarged share capital of the Company as at 31 March 2019. This triggers the requirement for the Subscriber and its concert parties to make a mandatory offer to the holders of any class of share capital of the Company which carries votes, unless independent Shareholders approve at an Extraordinary General Meeting ("EGM") to be convened for, *inter alia*, the Proposed Whitewash Resolution ("Whitewash Resolution").

The Company will in due course submit an application to the Securities Industry Council ("SIC") to seek the Whitewash Waiver for the Subscriber and its concert parties to make a Mandatory Offer as a result of the Proposed Transactions, and will make the necessary announcements upon receipt of the Whitewash Waiver from the SIC.

The Proposed Transactions are subject to the conditions precedent as set out in the Conditional Debt Conversion Agreement and Conditional Option Agreement and specifically the following:

- (a) the receipt of the approval in-principle of the SGX-ST for the listing and quotation for the Subscription Shares and Option Shares (when exercised) on the Mainboard of the SGX-ST;
- (b) approval of Shareholders for, *inter alia*, the Proposed Transactions (including the transfer of controlling interest in the Company to the Subscriber) at the EGM to be convened; and
- (c) the Whitewash Waiver granted by the SIC; and
- (d) approval of the independent Shareholders for the Proposed Whitewash Resolution at the EGM to be convened.

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW ACCOUNTING STANDARDS

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 3, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- Requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- Requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 1 and SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 1 and SFRS(I) 9 have affected the Group's financial position, financial performance and cash flows is set out under the summary of quantitative impact and the accompanying notes.

The transition has no impact on the Company's statement of financial position.

The following reconciliations summarise the impacts on initial application of SFRS(I) 1 and SFRS(I) 9 on the Group's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

Group Statement of financial position	As at 1 January 2017 FRS framework US\$'000	SFRS(I) 1 US\$'000	As at 1 January 2017 SFRS(I) framework US\$'000
Non-current assets			
Plant and equipment	2,198,446	(1,099,685)	1,098,761
Joint ventures	171,584	–	171,584
Associates	78,801	–	78,801
Other assets, including derivatives	4,941	–	4,941
	2,453,772	(1,099,685)	1,354,087
Current assets			
Trade receivables	178,899	–	178,899
Other assets	164,086	–	164,086
Cash and cash equivalents	204,953	–	204,953
	547,938	–	547,938
Total assets	3,001,710	(1,099,685)	1,902,025
Equity			
Share capital	648,940	–	648,940
Perpetual securities	116,499	–	116,499
Redeemable exchangeable preference shares	23,464	–	23,464
Reserves	(31,549)	30,008	(1,541)
Accumulated profits/(losses)	558,030	(1,129,693)	(571,663)
Total equity	1,315,384	(1,099,685)	215,699
Non-current liabilities			
Other payables	33,961	–	33,961
Debt securities	372,040	–	372,040
Financial liabilities	788,067	–	788,067
	1,194,068	–	1,194,068
Current liabilities			
Trade payables	112,074	–	112,074
Other payables	42,846	–	42,846
Financial liabilities	331,055	–	331,055
Current tax payable	6,283	–	6,283
	492,258	–	492,258
Total liabilities	1,686,326	–	1,686,326
Total equity and liabilities	3,001,710	(1,099,685)	1,902,025

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

Group Statement of financial position	As at 31 December 2017 FRS framework US\$'000	SFRS(I) 1 US\$'000	As at 31 December 2017 SFRS(I) framework US\$'000	SFRS(I) 9 US\$'000	As at 1 January 2018 SFRS(I) framework US\$'000
Non-current assets					
Plant and equipment	1,389,850	(405,514)	984,336	-	984,336
Joint ventures	98,120	-	98,120	-	98,120
Associates	80,817	-	80,817	-	80,817
Other assets, including derivatives	75,517	-	75,517	-	75,517
	1,644,304	(405,514)	1,238,790	-	1,238,790
Current assets					
Trade receivables	81,524	-	81,524	(2,306)	79,218
Other assets	154,113	-	154,113	-	154,113
Assets held for sale	9,350	-	9,350	-	9,350
Cash and cash equivalents	46,469	-	46,469	-	46,469
	291,456	-	291,456	(2,306)	289,150
Total assets	1,935,760	(405,514)	1,530,246	(2,306)	1,527,940
Equity					
Share capital	648,940	-	648,940	-	648,940
Perpetual securities	116,499	-	116,499	-	116,499
Redeemable exchangeable preference shares	23,464	-	23,464	-	23,464
Reserves	(26,411)	29,670	3,259	-	3,259
Accumulated losses	(457,666)	(435,184)	(892,850)	(2,306)	(895,156)
Total equity/ (deficit)	304,826	(405,514)	(100,688)	(2,306)	(102,994)
Non-current liabilities					
Other payables	26,355	-	26,355	-	26,355
Debt securities	361,501	-	361,501	-	361,501
Financial liabilities	13	-	13	-	13
	387,869	-	387,869	-	387,869
Current liabilities					
Trade payables	89,057	-	89,057	-	89,057
Other payables	100,217	-	100,217	-	100,217
Debt securities	44,890	-	44,890	-	44,890
Financial liabilities	1,002,537	-	1,002,537	-	1,002,537
Current tax payable	6,364	-	6,364	-	6,364
	1,243,065	-	1,243,065	-	1,243,065
Total liabilities	1,630,934	-	1,630,934	-	1,630,934
Total equity and liabilities	1,935,760	(405,514)	1,530,246	(2,306)	1,527,940

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

Group			
Income statement	FRS framework	SFRS(I) 1	SFRS(I)
Year ended 31 December 2017	US\$'000	US\$'000	framework
			US\$'000
Revenue	193,108	–	193,108
Cost of sales	(191,304)	75,566	(115,738)
Gross profit	1,804	75,566	77,370
Other income	10,575	–	10,575
Administrative expenses	(17,587)	–	(17,587)
Other expenses	(961,282)	618,943	(342,339)
Results from operating activities	(966,490)	694,509	(271,981)
Finance income	4,513	–	4,513
Finance costs	(36,546)	–	(36,546)
Net finance costs	(32,033)	–	(32,033)
Share of results of joint ventures and associates, net of tax	(16,187)	–	(16,187)
Loss before tax	(1,014,710)	694,509	(320,201)
Tax expense	(2,892)	–	(2,892)
Loss for the year attributable to owners of the Company	(1,017,602)	694,509	(323,093)

Group			
Statement of comprehensive income	FRS framework	SFRS(I) 1	SFRS(I)
Year ended 31 December 2017	US\$'000	US\$'000	framework
			US\$'000
Loss for the year	(1,017,602)	694,509	(323,093)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences relating to financial statements of foreign operations	(346)	(338)	(684)
Exchange differences on monetary items forming part of net investment in foreign operations	4,478	–	4,478
Effective portion of changes in fair value of cash flow hedges	1,006	–	1,006
Other comprehensive income for the year, net of tax	5,138	(338)	4,800
Total comprehensive income for the year, attributable to owners of the Company	(1,012,464)	694,171	(318,293)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

A SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) Fair value as deemed cost for liftboats, jack-up rigs and offshore support logistics vessels

The Group elected the optional exemption in SFRS(I) 1 to measure selected liftboats, jack-up rigs and offshore support logistics vessels ("vessels and rigs") at the date of transition to SFRS(I) at fair value and used that fair value as its deemed cost in its SFRS(I) financial statements.

The fair values of selected vessels and rigs were determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the category of assets being valued. The aggregate fair value of these vessels and rigs at 1 January 2017 was determined to be US\$1.1 billion compared to the carrying amount of US\$2.2 billion under FRS. As such, the carrying amount of vessels and rigs, and accumulated profits of the Group decreased by US\$1.1 billion and US\$405.5 million as at 1 January 2017 and 31 December 2017 respectively. The corresponding reduction to depreciation expense from US\$142.1 million to US\$66.5 million and impairment loss from US\$697.3 million to US\$78.4 million recognised in 2017 have been adjusted in the consolidated income statement for the year ended 31 December 2017.

The fair value was derived using the income approach and/or market approach. The income approach was based on secured and potential charter contracts that were based on existing market conditions as at 1 January 2017. The market approach was based on comparable prices of vessels and rigs that were based on existing market conditions as at 1 January 2017. The fair values are in Level 3 of the fair value hierarchy.

(ii) Foreign currency translation reserve ["FCTR"]

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of US\$30.0 million as at 1 January 2017 determined in accordance with FRS to accumulated profits. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR decreased by US\$30.0 million and accumulated profits increased by the same amount as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

B SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' ("ECL") model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate comparative information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated profits and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- (i) The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
 - The determination of the business model within which a financial asset is held;
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
 - The designation of an equity investment that is not held-for-trading as at FVOCI.
- (ii) New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 at 31 December 2017 met the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 and therefore were regarded as continuing hedging relationships.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see Note 4.4(ii).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

B SFRS(I) 9 (cont'd)

(i) Classification of financial assets and financial liabilities (cont'd)

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

			1 January 2018	
			Original carrying amount under FRS 39 US\$'000	New carrying amount under SFRS(I) 9 US\$'000
Note	Original classification under FRS 39	New classification under SFRS(I) 9		
Group				
Financial assets				
	Loans and receivables	Amortised cost	225,881	225,881
Other assets				
	Loans and receivables	Amortised cost	81,524	79,218
Trade receivables (a)				
	Loans and receivables	Amortised cost	46,469	46,469
Cash and cash equivalents				
	Fair value – hedging instrument	Fair value – hedging instrument	3,749	3,749
Interest rate swaps used for hedging				
Total financial assets			357,623	357,623

			1 January 2018	
			Original carrying amount under FRS 39 US\$'000	New carrying amount under SFRS(I) 9 US\$'000
Note	Original classification under FRS 39	New classification under SFRS(I) 9		
Company				
Financial assets				
	Loans and receivables	Amortised cost	97,112	97,112
Other assets				
	Loans and receivables	Amortised cost	9,383	9,383
Trade receivables (a)				
	Loans and receivables	Amortised cost	20,255	20,255
Cash and cash equivalents				
	Fair value – hedging instrument	Fair value – hedging instrument	3,749	3,749
Interest rate swaps used for hedging				
Total financial assets			130,499	130,499

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

B SFRS(I) 9 (cont'd)

(i) Classification of financial assets and financial liabilities (cont'd)

- (a) Trade receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of US\$2.3 million and US\$Nil in the allowance for impairment was recognised in opening accumulated profits of the Group and of the Company at 1 January 2018 respectively on transition to SFRS(I) 9.

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under SFRS(I) does not affect the carrying amount of intra-group financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with SFRS(I) 15 is higher than the estimated ECL amount.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in additional allowances for impairment of trade receivables amounting to US\$2.3 million. Additional information about how the Group and the Company measure the allowance for impairment is described in Note 32.

(iii) Hedging

The Group has elected to adopt the new general hedge accounting model in SFRS(I) 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

36 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- 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) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

36 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

SFRS(I) 16

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.

i. *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. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. 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.

ii. *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.

The Group is currently performing a detailed analysis to assess the impact upon adoption of SFRS(I) 16 on its financial statements.

SHAREHOLDERS' INFORMATION

As at 15 March 2019

GENERAL INFORMATION ON SHARE CAPITAL

Total no. of issued shares	:	3,728,006,259 (excluding treasury shares)
Class of shares	:	Ordinary share
Voting rights	:	One vote per share (no vote for treasury shares)
Number of treasury shares	:	3,184,000
Percentage of treasury shares	:	0.09% based on total number of issued shares (excluding treasury shares)
Number of subsidiary holdings held	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	102	0.60	4,247	0.00
100 – 1,000	494	2.91	315,512	0.01
1,001 – 10,000	4,952	29.17	29,513,756	0.79
10,001 – 1,000,000	11,183	65.87	982,423,882	26.33
1,000,001 and above	247	1.45	2,718,932,862	72.87
	16,978	100.00	3,731,190,259	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% **
1	DBS Nominees Pte Ltd	759,092,203	20.36
2	Citibank Nominees Singapore Pte Ltd	210,135,282	5.64
3	Raffles Nominees (Pte) Limited	200,025,788	5.37
4	United Overseas Bank Nominees Pte Ltd	167,041,836	4.48
5	Pavilion Capital Fund Holdings Pte Ltd	151,569,400	4.07
6	BNP Paribas Nominees Singapore Pte Ltd	106,322,598	2.85
7	CGS-CIMB Securities (Singapore) Pte Ltd	60,207,901	1.62
8	OCBC Securities Private Ltd	59,880,156	1.61
9	Maybank Kim Eng Securities Pte. Ltd.	50,852,090	1.36
10	RSM Corporate Advisory Pte. Ltd.	47,000,000	1.26
11	UOB Kay Hian Pte Ltd	38,298,260	1.03
12	DBS Vickers Securities (S) Pte Ltd	33,584,813	0.90
13	Phillip Securities Pte Ltd	31,140,726	0.84
14	HSBC (Singapore) Nominees Pte Ltd	27,377,191	0.73
15	Chew Thiam Keng	25,309,440	0.68
16	Evia Growth Opportunities II Ltd (In Members' Voluntary Liquidation)	24,664,836	0.66
17	Lim Oon Hock	23,000,000	0.62
18	Rotating Offshore Solutions Pte Ltd	22,747,156	0.61
19	OCBC Nominees Singapore Pte Ltd	22,550,336	0.60
20	EDB Investments Pte Ltd	20,548,253	0.55
		2,081,348,265	55.84

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 15 March 2019, excluding 3,184,000 ordinary shares held as treasury shares as at that date.

SHAREHOLDERS' INFORMATION

As at 15 March 2019

SUBSTANTIAL SHAREHOLDERS

As per Register of Substantial Shareholders:

	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾
Chan Fooi Peng ⁽¹⁾	32,824,000	0.88	184,759,440	4.96
Chew Thiam Keng ⁽²⁾	27,259,440	0.73	190,324,000	5.11

Notes:

- (1) By virtue of shares held directly by Madam Chan Fooi Peng's spouse, Mr Chew Thiam Keng, she is deemed to be interested in the shares held by Mr Chew Thiam Keng; and deemed interested in 157,500,000 shares held by Macarios Pte Ltd.
- (2) By virtue of shares held directly by Mr Chew Thiam Keng's spouse, Madam Chan Fooi Peng, he is deemed to be interested in the shares held by Madam Chan Fooi Peng. 1,950,000 of the shares under Mr Chew Thiam Keng's direct interest are registered under Citibank Nominees SG.
- (3) The percentage of shareholdings is computed based on the issued and paid-up share capital of the Company comprising 3,728,006,259 shares (excluding treasury shares) as at 15 March 2019.

PERCENTAGE OF SHAREHOLDING HELD IN PUBLIC'S HANDS

Based on information made available to the Company as at 15 March 2019, approximately 94.01% of the Company's shares (excluding treasury shares) was held in the hands of the public, and accordingly, Rule 723 of the SGX-ST Listing Manual is complied with.

STATISTICS OF WARRANT HOLDINGS

As at 15 March 2019

W200424 WARRANTS

No. of Warrants Outstanding : 355,087,144

DISTRIBUTION OF WARRANT HOLDINGS

Range of Warrant holdings	No. of Warrant holders	%	No. of Warrants	%
1 - 99	553	4.52	25,176	0.01
100 - 1,000	2,363	19.30	1,259,453	0.35
1,001 - 10,000	7,696	62.86	25,398,264	7.15
10,001 - 1,000,000	1,587	12.96	88,339,127	24.88
1,000,001 and above	44	0.36	240,065,124	67.61
	12,243	100.00	355,087,144	100.00

TOP 20 WARRANT HOLDERS

No.	Name of Warrant holder	No. of Warrants	%
1	Chan Fooi Peng	32,161,248	9.06
2	Citibank Nominees Singapore Pte Ltd	22,197,089	6.25
3	Raffles Nominees (Pte) Limited	20,260,459	5.71
4	DBS Nominees Pte Ltd	20,047,150	5.65
5	Phillip Securities Pte Ltd	11,859,611	3.34
6	HSBC (Singapore) Nominees Pte Ltd	10,748,844	3.03
7	CGS-CIMB Securities (Singapore) Pte Ltd	9,801,336	2.76
8	UOB Kay Hian Pte Ltd	8,701,402	2.45
9	Ong Chai Heng	7,500,000	2.11
10	Lim Sen Kee	6,751,400	1.90
11	Evia Growth Opportunities II Ltd (In Members' Voluntary Liquidation)	5,619,498	1.58
12	Maybank Kim Eng Securities Pte. Ltd.	5,095,006	1.43
13	Boey Yin Chiang	5,043,151	1.42
14	Tan Eng Tat	5,000,078	1.41
15	EDB Investments Pte Ltd	4,574,040	1.29
16	Chew Thiam Keng	4,333,754	1.22
17	Rotating Offshore Solutions Pte Ltd	3,895,012	1.10
18	OCBC Securities Private Ltd	3,891,041	1.10
19	Lim Swee Fong	3,550,600	1.00
20	Tan Kok Keng	3,530,930	0.99
		194,561,649	54.80

STATISTICS OF WARRANT HOLDINGS

As at 15 March 2019

W230416 WARRANTS (2018-SHAREHOLDERS)

No. of Warrants Outstanding : 1,237,150,086

DISTRIBUTION OF WARRANT HOLDINGS

Range of Warrant holdings	No. of Warrant holders	%	No. of Warrants	%
1 - 99	116	0.73	4,133	0.00
100 - 1,000	683	4.28	378,767	0.03
1,001 - 10,000	7,038	44.05	35,373,038	2.86
10,001 - 1,000,000	8,097	50.68	360,134,484	29.11
1,000,001 and above	42	0.26	841,259,664	68.00
	15,976	100.00	1,237,150,086	100.00

TOP 20 WARRANT HOLDERS

No.	Name of Warrant holder	No. of Warrants	%
1	DBS Nominees Pte Ltd	205,100,481	16.58
2	Citibank Nominees Singapore Pte Ltd	168,670,764	13.63
3	Raffles Nominees (Pte) Limited	93,923,347	7.59
4	HSBC (Singapore) Nominees Pte Ltd	64,740,316	5.23
5	CGS-CIMB Securities (Singapore) Pte Ltd	34,086,021	2.76
6	United Overseas Bank Nominees Pte Ltd	32,847,284	2.66
7	BNP Paribas Nominees Singapore Pte Ltd	27,760,800	2.24
8	OCBC Securities Private Ltd	18,996,547	1.54
9	Morgan Stanley Asia (S) Securities Pte Ltd	17,793,534	1.44
10	Maybank Kim Eng Securities Pte. Ltd.	17,313,707	1.40
11	Chew Thiam Keng	15,185,664	1.23
12	Evia Growth Opportunities II Ltd (In Members' Voluntary Liquidation)	15,146,895	1.22
13	UOB Kay Hian Pte Ltd	13,864,411	1.12
14	Rotating Offshore Solutions Pte Ltd	13,648,293	1.10
15	DBSN Services Pte Ltd	12,737,258	1.03
16	EDB Investments Pte Ltd	12,328,951	1.00
17	Phillip Securities Pte Ltd	9,055,857	0.73
18	OCBC Nominees Singapore Pte Ltd	7,445,751	0.60
19	Venstar Investments Ltd (In Members' Voluntary Liquidation)	6,849,942	0.55
20	Nylect Holdings Pte Ltd	5,248,800	0.42
		792,744,623	64.07

STATISTICS OF WARRANT HOLDINGS

As at 15 March 2019

W200412 WARRANTS (2018-SECURITYHOLDERS)

No. of Warrants Outstanding : 313,875,000

DISTRIBUTION OF WARRANT HOLDINGS

Range of Warrant holdings	No. of Warrant holders	%	No. of Warrants	%
10,001 - 1,000,000	62	83.78	18,625,000	5.93
1,000,001 and above	12	16.22	295,250,000	94.07
	74	100.00	313,875,000	100.00

TOP 20 WARRANT HOLDERS

No.	Name of Warrant holder	No. of Warrants	%
1	DBS Nominees Pte Ltd	186,425,000	59.39
2	United Overseas Bank Nominees Pte Ltd	28,000,000	8.92
3	Citibank Nominees Singapore Pte Ltd	24,375,000	7.77
4	Raffles Nominees (Pte) Limited	21,800,000	6.95
5	HSBC (Singapore) Nominees Pte Ltd	14,500,000	4.62
6	Maybank Kim Eng Securities Pte. Ltd.	4,750,000	1.51
7	DB Nominees (Singapore) Pte Ltd	4,300,000	1.37
8	iFast Financial Pte Ltd	3,250,000	1.04
9	Lim Soon Huat	2,500,000	0.80
10	Lee Yong Miang	2,250,000	0.72
11	UOB Kay Hian Pte Ltd	1,850,000	0.59
12	Chan Weng Chih Matthew (Chen Rongzhi Matthew)	1,250,000	0.40
13	Trinity Christian Centre Ltd	1,000,000	0.32
14	Low Seng Joo	750,000	0.24
15	Tan Guan Lee Company Limited	750,000	0.24
16	CYL Investments Limited	500,000	0.16
17	Lew Tat Vey	500,000	0.16
18	Lim Soon Kiat	500,000	0.16
19	Lim Yeow Siang	500,000	0.16
20	Ngoh Lay Yian	500,000	0.16
		300,250,000	95.68

STATISTICS OF WARRANT HOLDINGS

As at 15 March 2019

NON-LISTED WARRANTS (2018-SECURED LENDERS)

No. of Warrants Outstanding : 134,934,465

DISTRIBUTION OF WARRANT HOLDINGS

Range of Warrant holdings	No. of Warrant holders	%	No. of Warrants	%
1,000,001 and above	6	100.00	134,934,465	100.00

TOP 20 WARRANT HOLDERS

No.	Name of Warrant holder	No. of Warrants	%
1	Oversea-Chinese Banking Corporation Limited	62,441,695	46.28
2	DBS Bank Ltd.	39,327,000	29.15
3	Malayan Banking Berhad	13,109,000	9.72
4	United Overseas Bank Limited	13,109,000	9.72
5	CIMB Bank Berhad, Singapore Branch	3,670,520	2.72
6	Caterpillar Financial Services Asia Pte Ltd	3,277,250	2.43
		134,934,465	100.00

NON-LISTED WARRANTS (2018-UNSECURED LENDERS)

No. of Warrants Outstanding : 45,373,346

DISTRIBUTION OF WARRANT HOLDINGS

Range of Warrant holdings	No. of Warrant holder	%	No. of Warrants	%
1,000,001 and above	1	100.00	45,373,346	100.00

Australia and New Zealand Banking Group Limited (Singapore Branch) is the registered holder of 45,373,346 Warrants (2018-Unsecured Lenders) issued by the Company on 16 April 2018.

STATISTICS OF BOND HOLDINGS

As at 15 March 2019

Refinancing Series B 0.25 Per Cent. Convertible Bonds Due 2023 [ISIN: SG38F9000006]

The Company has on 13 April 2018 issued S\$333,000,000 Series B convertible bonds due 2023 with interest rate at 0.25% per annum payable semi-annually ("Series B Bond"). For further details on the Series B Bond, please refer to Note 18 to the Financial Statements and the circular of the Company dated 12 March 2018.

DISTRIBUTION OF BOND HOLDINGS

Range of Bond holdings	No. of Bond holders	%	Amount of Bonds	%
10,001 - 1,000,000	48	82.76	14,700,000	12.53
1,000,001 and above	10	17.24	102,600,000	87.47
	58	100.00	117,300,000	100.00

TOP 20 BOND HOLDERS

No.	Name of Bond holder	Amount of Bonds	%*
1	United Overseas Bank Nominees P L	33,550,000	28.72
2	DBS Nominees Pte Ltd	32,400,000	27.74
3	Citibank Noms Spore Pte Ltd	14,150,000	12.11
4	Baiduri Bank Berhad	7,000,000	5.99
5	Raffles Nominees(Pte) Limited	6,950,000	5.95
6	Oversea Chinese Bank Noms Pte Ltd	2,450,000	2.10
7	ECICS Limited	2,000,000	1.71
8	DBSN Services Pte Ltd	1,750,000	1.50
9	The Singapore Police Co-Operative Society Ltd	1,250,000	1.07
10	CGS-CIMB Securities (Singapore) Pte Ltd	1,100,000	0.94
11	HSBC (Singapore) Nominees Pte Ltd	1,000,000	0.86
12	Nylect Holdings Pte Ltd	1,000,000	0.86
13	DBS Vickers Securities (S) Pte Ltd	500,000	0.43
14	Low Chiew Eng	500,000	0.43
15	Ng Cheow Chye	500,000	0.43
16	Tan Kah Mei Jenny	500,000	0.43
17	Tan Poh Tiang	500,000	0.43
18	Ang Ah Beng	250,000	0.21
19	BNP Paribas Noms Spore PL	250,000	0.21
20	Boo Boo Seng	250,000	0.21
		107,850,000	92.33

* Calculated based on the outstanding amount of Series B Bond of the Company as at 15 March 2019, excluding S\$500,000 held by the Company as at that date.

STATISTICS OF BOND HOLDINGS

As at 15 March 2019

Amended Series 008 Subordinated Perpetual Securities [ISIN No. SG6UH90000009]

The Company has perpetual securities issued in 2014. The terms of the perpetual securities were subsequently amended in April 2018. The amended perpetual securities, with distribution rate at 0.25% per annum payable semi-annually, have a conversion feature where the holder of the amended perpetual securities will have the right during the conversion period to convert the amended perpetual securities into ordinary shares of the Company. For further details on the Amended Series 008, please refer to Note 14 to the Financial Statements and the circular of the Company dated 12 March 2018.

DISTRIBUTION OF BOND HOLDINGS

Range of Bond holdings	No. of Bond holders	%	Amount of Bonds	%
10,001 - 1,000,000	11	84.615	4,500,000	21.687
1,000,001 and above	2	15.385	16,250,000	78.313
	13	100.000	20,750,000	100.000

TOP 20 BOND HOLDERS

No.	Name of Bond holder	Amount of Bonds	%
1	DBS Nominees Pte Ltd	14,500,000	69.880
2	Citibank Noms Spore Pte Ltd	1,750,000	8.434
3	DBSN Services Pte Ltd	1,000,000	4.818
4	Raffles Nominees(Pte) Limited	1,000,000	4.818
5	Oversea Chinese Bank Noms Pte Ltd	500,000	2.410
6	BNP Paribas Noms Spore PL	250,000	1.205
7	Celine Ching Peck Gek	250,000	1.205
8	CGS-CIMB Securities (Singapore) Pte Ltd	250,000	1.205
9	Goh Thiam Huat(Wu Tianfa)	250,000	1.205
10	Hotel Miramar (Singapore) Ltd	250,000	1.205
11	HSBC (Singapore) Nominees Pte Ltd	250,000	1.205
12	Lim Tock Keng	250,000	1.205
13	United Overseas Bank Nominees P L	250,000	1.205
		20,750,000	100.000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ezion Holdings Limited (the “Company”) will be held at Ballroom 3, The Singapore Island Country Club, 180 Island Club Road, Singapore 578774 on Monday, 29 April 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors’ Report thereon.
(Resolution 1)
2. To re-elect Mr Lim Thean Ee, a Director of the Company retiring pursuant to Article 107 of the Constitution of the Company. (See Explanatory Note (i))
(Resolution 2)
3. To re-elect Mr Yee Chia Hsing, a Director of the Company retiring pursuant to Article 107 of the Constitution of the Company. (See Explanatory Note (ii))
(Resolution 3)
4. To approve the payment of Directors’ fees of S\$223,000.00 for the year ended 31 December 2018. (FY2017: S\$223,000.00)
(Resolution 4)
5. To re-appoint KPMG LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 5)
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to issue shares in the capital of the Company

That pursuant to Section 161 of the Companies Act, Cap. 50 (the “Companies Act”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be hereby authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (iii))

(Resolution 6)

NOTICE OF ANNUAL GENERAL MEETING

8. Authority to issue shares under the Ezion Employee Share Option Scheme

That the Directors of the Company be hereby authorised and empowered to offer and grant options in accordance with the rules of the Ezion Employee Share Option Scheme (the “Scheme”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme, when added to the number of shares issued and issuable in respect of such Scheme and other shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (iv))

(Resolution 7)

9. Renewal of Share Buyback Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, and such other laws and regulations as may for the time being be applicable, approval be and is hereby given for the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company (“Shares”) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market share purchases (“Market Purchase”), transacted on the SGX-ST; and/or
 - (ii) off-market share purchases (“Off-Market Purchase”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable (the “Share BuyBack Mandate”);
- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share BuyBack Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share BuyBack Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Ordinary Resolution and the expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the date on which the Share BuyBacks are carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Share BuyBack Mandate is varied or revoked;
- (d) in this Resolution:

“Prescribed Limit” means ten per centum (10%) of the total issued ordinary share capital of the Company as at the date of passing of this Ordinary Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings);

“Relevant Period” means the period commencing from the date on which the last Annual General Meeting of the Company was held and expiring on the date of the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Ordinary Resolution;

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price, where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the date of making the Market Purchase or, as the case may be, the day of the making of an offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

“Day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from the shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off- Market Purchase;

“Highest Last Dealt Price” means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

“Market Day” means a day on which the SGX-ST is open for trading in securities;

NOTICE OF ANNUAL GENERAL MEETING

- (e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required) as they may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

(See Explanatory Note (v))

(Resolution 8)

By Order of the Board

Victor Lai
Tan Wee Sin
Secretaries
Singapore, 12 April 2019

Explanatory Notes:

- (i) Mr Lim Thean Ee, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee, member of the Audit Committee and the Nominating Committee and will be considered independent. Detailed information on Mr Lim can be found under the sections entitled 'Board of Directors', 'Corporate Governance Report' and 'Additional information on Directors seeking re-election' in the Annual Report. There are no material relationships (including immediate family relationships) between Mr Lim and the other directors or the Company.
- (ii) Mr Yee Chia Hsing, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, member of the Audit Committee and the Remuneration Committee and will be considered independent. Detailed information on Mr Yee can be found under the sections entitled 'Board of Directors', 'Corporate Governance Report' and 'Additional information on Directors seeking re-election' in the Annual Report. There are no material relationships (including immediate family relationships) between Mr Yee and the other directors or the Company.
- (iii) Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 10% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

- (iv) Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate, when added to the number of shares issued and issuable in respect of such Awards and other shares issued and/or issuable under other share-based incentive schemes of the Company, ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (v) Resolution 8 is to renew the mandate to permit the Company to purchase or acquire issued ordinary shares in the capital of the Company on the terms and subject to the conditions of the Resolution. The actual amount of funding required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares were purchased or acquired.

The illustrative financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Buyback Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 are set out in greater detail in the Appendix, which is enclosed together with this Notice.

Notes:

1. Each of the resolutions to be put to the vote of members at the Annual General Meeting (the “**Meeting**”) (and at any adjournment thereof) will be voted on by way of a poll.
2. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Meeting.
- (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act.

3. A proxy need not be a member of the Company.
4. The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
6. If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the Meeting will act as your proxy.
7. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316 not less than forty-eight (48) hours before the time appointed for holding the Meeting and at any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

8. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited at least seventy-two (72) hours before the time fixed for holding the Meeting in order for the Depositor to be entitled to attend and vote at the Meeting.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Directors who seeking re-elections at the forthcoming annual general meeting of Ezion Holdings Limited (the "Company") as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of Director	Mr Lim Thean Ee	Mr Yee Chia Hsing
Date of appointment	28 July 2000	5 January 2016
Date of last re-appointment	27 April 2017	27 April 2016
Age	69	47
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Mr Lim for re-appointment as Independent Non-Executive Director of the Company. The Board concluded that Mr Lim possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the qualification, work experience and suitability of Mr Yee for re-appointment as Independent Non-Executive Director of the Company. The Board concluded that Mr Yee possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit and Nominating Committees.	Independent Non-Executive Director, Chairman of the Nominating Committee and member of the Audit and Remuneration Committees.
Professional qualifications	Associate Member of Society of Naval Architects and Marine Engineers, USA	Bachelor of Accountancy Degree (First Class Honours) from the Nanyang Technological University, Singapore
Working experience and occupation(s) during the past 10 years	March 1990 to present: Managing Director, Coastal Navigation Pte Ltd	2011 to present: Head, Catalist, CIMB Bank Berhad, Singapore Branch 2009 to 2010: Head, Corporate Finance, Asisaons WFG Capital 2008 to 2009: Executive Director, Asisaons WFG Securities

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr Lim Thean Ee	Mr Yee Chia Hsing
Shareholding interest in the listed issuer and its subsidiaries	2,100,000 ordinary shares in the Company; 460,378 options in the Company; and 1,708,761 bonus warrants in the Company.	100,000 options in the Company
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments including directorships		
Past (for the last 5 years)	Transcon Shipping Pte Ltd (<i>struck-off on March 2017</i>)	Nil
Present	1) Miyoshi Limited 2) Coastal Engineering Services Pte. Ltd 3) Coastal Navigation Pte Ltd 4) All Construction Engineering Pte Ltd 5) Lumut Quarry (S) Pte Ltd 6) Yue Hua Food Court Pte Ltd 7) Honorary Chairman of Telok Blangah Citizens' Consultative Committee 8) Chairman of CCC's Community Development & Welfare Fund Committee	1) Head, Catalist of CIMB Bank Berhad, Singapore Branch 2) First Sponsor Group Limited 3) Audit committee of Ren Ci Hospital (a Singapore charity) 4) Member of Parliament for Chua Chu Kang GRC

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr Lim Thean Ee	Mr Yee Chia Hsing
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr Lim Thean Ee	Mr Yee Chia Hsing
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Mr Lim Thean Ee	Mr Yee Chia Hsing
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

EZION HOLDINGS LIMITED

(Company Registration No. 199904364E)

(Incorporated in the Republic of Singapore)

PROXY FORM**ANNUAL GENERAL MEETING**

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF/SRS monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF/SRS Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF and SRS investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

I/We, _____ (Name) _____ (NRIC/Passport/Co. Reg. no.)
of _____ (Address)
being a member/members of Ezion Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Ballroom 3, The Singapore Island Country Club, 180 Island Club Road, Singapore 578774 on Monday, 29 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Resolutions relating to:	No. of Votes For*	No. of Votes Against*
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2018		
2	Re-election of Mr Lim Thean Ee as a Director		
3	Re-election of Mr Yee Chia Hsing as a Director		
4	Approval of Directors' fees amounting to S\$223,000.00		
5	Re-appointment of KPMG LLP as Auditor		
6	Authority to issue new shares		
7	Authority to issue shares under the Ezion Employee Share Option Scheme		
8	Renewal of share buyback mandate		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	



Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Affix
Stamp

The Company Secretary
Ezion Holdings Limited
15 Hoe Chiang Road #12-05 Tower Fifteen
Singapore 089316

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316 not less than forty-eight (48) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument. The dispensation of the use of common seal pursuant to Sections 41A, 41B and 41C of the Companies Act, Chapter 50 of Singapore is applicable at this Meeting.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of the Meeting dated 12 April 2019.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



Co. Reg. No. 199904364E

15 Hoe Chiang Road #12-05

Tower Fifteen Singapore 089316

Telephone : +65 6309 0555

Facsimile : +65 6222 7848

Email : ir@ezionholdings.com

www.ezionholdings.com
