



Regulatory Announcement

31 October 2016

SGX reprimands Swiber Holdings Limited

Public reprimand: Breach of Listing Rules

1. Singapore Exchange (“**SGX**”) reprimands Swiber Holdings Limited (“**Swiber**”) for its breach of Listing Rule 703, read with Paragraph 25(c) of Appendix 7.1, by failing to provide a balanced and fair announcement in relation to a US\$710 million project award. The relevant listing rule requires a company’s announcement to be balanced and fair, and to avoid, among other things, presentation of favourable possibilities as certain, or as more probable than is actually the case.

Background of events leading to public reprimand

2. On 15 December 2014, Swiber made an announcement entitled, “*Swiber Breaks Into the West African Market with US\$710 Million Field Development Award*” (the “**Announcement**”). The Announcement stated that Swiber had secured a US\$710 million project award from a Houston-based oil and gas company (the “**Client**”) to provide Engineering, Procurement, Construction, Installation and Commissioning (“**EPCIC**”) services for an offshore field development project (the “**Project**”). Swiber disclosed that it would commence work on the Project from the first quarter of 2015 and completion was expected to take place in the middle of 2017. In the same announcement, Swiber disclosed that for the year-to-date as of 15 December 2014, it had clinched contracts totalling US\$1.03 billion.
3. On 8 July 2016, Swiber announced that the Project has not been able to progress in accordance with its original schedule and that Swiber and its subsidiaries (the “**Group**”) have not recognised any revenue from the Project.
4. In response to the Exchange’s queries, Swiber provided a copy of the Letter of Intent (“**LOI**”) signed between Swiber Offshore Construction Pte Ltd (“**SOC**”) and the Client. The LOI states the following:
 - (a) A contract document is to be formalised in due course between SOC and the Client;
 - (b) The scope of work is divided into different stages, namely the provision of: (i) the Pre-front End Engineering Design (“**Pre-FEED**”) studies; (ii) the Front End Engineering Design (“**FEED**”) studies and (iii) the EPCIC services;
 - (c) The contract price of US\$710 million is an indicative price and will be reviewed after conclusion of the FEED study and on finalisation of the field development plan;

- (d) Payment terms for the various stages of work shall be mutually agreed under the contract agreement to be concluded within agreed period of time; and
 - (e) SOC is authorised to spend up to US\$2 million to carry out the Pre-FEED and FEED work in the interim until the final contract value is established after the FEED study.
5. Swiber stated that its Directors were and remain of the view that SOC had entered into a binding contract with the Client by way of the LOI, and it was duly presented in the Announcement that a US\$710 million award had been secured.
 6. Swiber first announced the award of the Project on 15 December 2014. Subsequent to that announcement, there was no update by Swiber until 8 July 2016.
 7. In its announcements between 15 December 2014 and 8 July 2016, Swiber had included the value of the US\$710 million Project in its order book without any qualification that the contract document has yet to be signed, the contract value is only an indicative price that is still subject to review, or that the Project has been delayed.
 8. Swiber stated that the appraisal well drilling stage is a necessary pre-requisite to the completion of the FEED phase. Due to the persistent weakness in the oil and gas sector, the Client has delayed completion of the appraisal well drilling. Therefore, the parties did not progress to formalising the contract document.
 9. The appraisal well drilling was originally scheduled to be completed by the Client by 23 December 2015. Further, under a Production Sharing Contract, the Client had committed to the relevant African ministry to complete the appraisal well drilling by 8 April 2016. On 30 April 2016, Swiber was informed by the Client and the relevant African ministry that the completion deadline for the appraisal well drilling has been extended by six months.
 10. Swiber represented that it was only on 1 July 2016 during a meeting between Swiber and the Client that the Directors first became aware that there was likely to be a significant delay in the completion of the Project.
 11. Any breach of the disclosure rules in relation to the announcement of the delay in the progress of the Project will not be dealt with in this Public Reprimand. This will come under the new disciplinary framework which is effective from 7 October 2015. The relevant details are set out as background information for completeness.

Basis for reprimand

12. The LOI states that a contract document would be signed subsequent to the completion of the Pre-FEED and FEED study. The initial estimated contract price of US\$710 million would be reviewed and the final price determined after the conclusion of the FEED study and on finalisation of the field development plan.
13. SGX is of the view that the Announcement is not balanced and fair as Swiber presented favourable possibilities as certain, or as more probable than is actually the case. The Announcement failed to disclose the material conditions that are pre-requisites to the progress of the Project and recognition of revenue by Swiber.
14. In particular, Swiber did not disclose that based on the LOI, the Project is subjected to the formalisation of a contract in due course between SOC and the Client and the determination of the final contract price. The announced award amount of US\$710 million was only an estimate, based on an initial indicative assessment of the required scope of work, and is subject to review

after the conclusion of the FEED study and on finalisation of the field development plan. Swiber also did not state that it was authorised by the Client to spend only up to US\$2 million on the initial Project works until the final contract value was established after the FEED study.

15. Investors, including shareholders and bondholders, were not made aware that recognition of revenue from the Project would be dependent on completion of the FEED study and determination of the final contract value.
16. SGX is of the view that the Announcement failed to provide investors, including shareholders and bondholders, with sufficient information to enable them to have a proper understanding of the impact of a major project award on the Group.
17. SGX has referred the case to the relevant authorities.

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