Ezion Holdings Limited

RENEWED FOCUS WITH

STRONG SUPPORT

ANNUAL REPORT **2017**

RENEWED FOCUS WITH

STRONGSUPPORT

Ezion Holdings Limited

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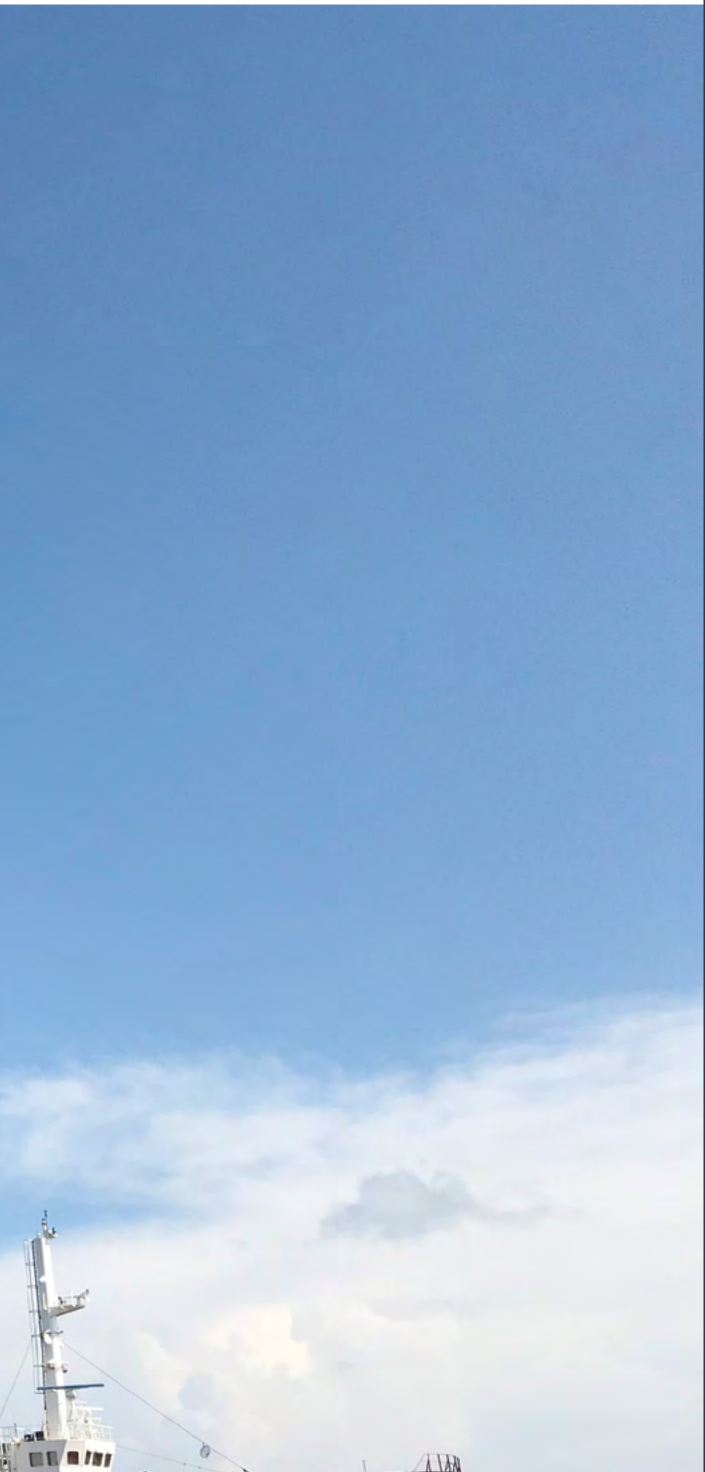
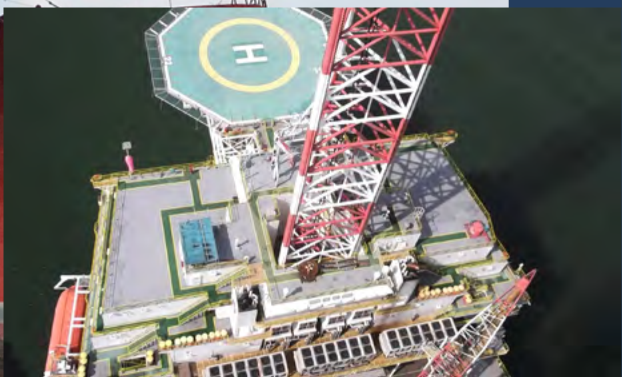
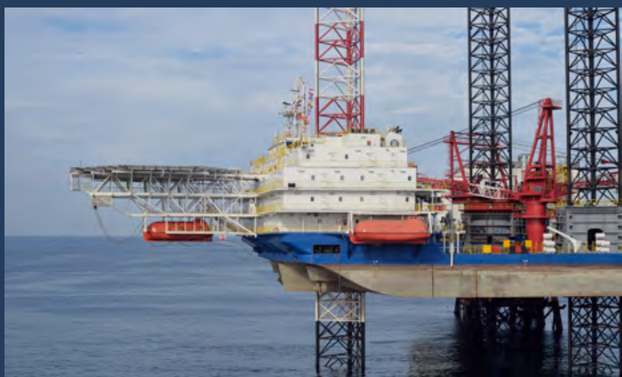


THE RECENT STABILIZATION OF FOSSIL FUEL PRICES HAS SEEN AN INCREASE IN PRODUCTION ACTIVITIES IN THE OFFSHORE OIL AND GAS INDUSTRY.





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

CORPORATE PROFILE

RENEWED FOCUS ON LIFTBOATS

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 100% 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.

FINANCIAL HIGHLIGHTS

REVENUE
(US$'000)

193,108

2017	193,108
2016	318,245
2015	351,147
2014	386,512
2013	281,924

GROSS PROFIT
(US$'000)

1,804

2017	1,804
2016	61,246
2015	118,065
2014	195,968
2013	133,195

SHAREHOLDERS' FUND
(US$'000)

304,826

2017	304,826
2016	1,315,284
2015	1,241,310
2014	1,312,621
2013	800, 248

(LOSS) / EARNINGS PER SHARE
(US Cents / Share)

(49.44)

2017	(49.44)
2016	(2.30)
2015	1.51*
2014	15.66*
2013	12.80*

NET ASSET VALUE
(US Cents / Share)

14.70

2017	14.70
2016	63.43
2015	77.50*
2014	81.93*
2013	55.45*

	2017 US$'000	2016 US$'000	2015 US$'000	2014 US$'000	2013 US$'000
Revenue	193,108	318,245	351,147	386,512	281,924
(Loss)/Profit Before Tax	(1,014,710)	(30,924)	38,365	225,763	162,968
Net (Loss)/Profit	(1,017,602)	(33,606)	36,784	223,734	160,328

KEY FINANCIAL POSITION INDICATORS

Shareholders' Fund	304,826	1,315,384	1,241,310	1,312,621	800,248
Total Assets	1,935,760	3,001,710	3,108,402	2,980,971	2,043,078
Total Liabilities	1,630,934	1,686,326	1,867,092	1,668,350	1,242,830

PERFORMANCE INDICATORS

(Loss) / Earnings Per Share (US cents/share)	(49.44)	(2.30)	1.51*	15.66*	12.80*
Net Asset Value (US cents/share)	14.70	63.43	77.50*	81.93*	55.45*

FINANCIAL RATIOS

ROE (%)	(333.83)	(2.63)	2.88	21.18	23.70
ROA (%)	(52.57)	(1.10)	1.21	8.91	9.89
Current Ratio (times)	0.24	1.11	1.01	1.54	1.01
Net Gearing (times)	4.47	0.98	1.14	0.86	1.15

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

LETTER TO SHAREHOLDERS

TO ALL OUR VALUED SHAREHOLDERS

Grace and peace to all.

2017 continues to be a difficult year for the offshore market. While there were signs that the sector was heading towards early recovery and oil price was stabilising, there were still many challenges that companies operating in this sector had to overcome after the prolonged downturn.

For Ezion, in view of working capital constraints even though the Group continues to be cashflow positive operationally and had met all financial obligations to our secured creditors and securityholders, we initiated a refinancing exercise to strengthen our financial fundamentals. We requested suspension of trading in Ezion shares back in August 2017 so as to minimise potential negative impact on the share price amidst the challenges of the refinancing exercise.

We must thank you and all our stakeholders, including Secured and Unsecured Lenders as well as Securityholders, for your understanding, patience and prayers during this long arduous 9-month period when our committed management team worked tirelessly with our professional advisors to put Ezion on stronger anchor.

We are both humbled and grateful to have received votes of confidence and endorsement from all our stakeholders for our very extensive and complex refinancing exercise, culminating with shareholder approval at the recent EGM.

Holding Hands To Preserve Value For All Stakeholders

The refinancing plan involved Secured Lenders agreeing to a 6-year refinancing plan for their existing facilities of approximately US$1.5 billion with minimal fixed principal repayments, reduction of interest rates as well as an additional working capital line of up to approximately US$118 million.

Securityholders have also agreed to extend the maturity of their S$575 million securities by 6 to 10 years, a reduction of interest rates to 0.25% per annum and lifting of all covenants. In addition, 79% of the Securityholders chose the convertible bond option to be able to convert their securities into Ezion shares.

Unsecured Lenders with existing facilities of approximately US$18 million extended their help through a reduction of interest rates and exiting via exercise of stapled warrants to convert outstanding amounts to Ezion shares.

IN VIEW OF WORKING CAPITAL CONSTRAINTS EVEN THOUGH THE GROUP CONTINUES TO BE CASHFLOW POSITIVE OPERATIONALLY, WE INITIATED A REFINANCING EXERCISE TO STRENGTHEN OUR FINANCIAL FUNDAMENTALS.

The Company will also be issuing 3 warrants for every 5 shares held by all shareholders.

Rationalising The Business

Due to the complexities of the refinancing exercise over a protracted period, the Group's operations had been adversely affected by working capital constraints, exacerbated by delays in payments from clients and limited ability to utilize our bank facilities. These affected the Group's ability to deploy our liftboats to our customers due to shortage of funds. The prolonged downturn in the Oil & Gas sector also affected the utilisation of some of the Group's other vessels, including jack-up rigs and smaller assets such as barges.

LETTER TO SHAREHOLDERS

Although revenue for FY2017 decreased by 39.3% to US$193.1 million, the Group generated a positive operating cash flow of US$62.6 million during the year.

The Group has since undertaken a rationalization of our business and will focus on the core Liftboat business and scale down Jack-up rigs and offshore logistics vessels as the charter rates of these assets are very depressed in addition to high capital expenditure required for deployment. The Group will continue to look at ways to maximise the recoverable value of its assets, including opportunities to sell under the right circumstances.

As a result, the Group recorded impairment losses of approximately USD$900 million, inclusive of trade receivables, bringing accumulated impairment losses since FY2015 to approximately US$1.05 billion. The Group's associates and jointly-controlled entities also registered a loss of US$16.2 million mainly due to assets impairment taken by these companies in FY2017. Current shareholders' fund as at the end of FY2017 was US$304.8 million.

Positioning For Recovery

The recent stabilization of fossil fuel prices has seen an increase in production activities in the offshore oil and gas industry. As a consequence, the Liftboat division of the Group has been receiving increasing number of enquiries in recent months.

With the completion of our refinancing exercise, the Group will have additional working capital which will be used to deploy more Liftboats. The Group expects its current fleet of 12 Liftboats to be fully deployed by end of 2018, barring any major deterioration of the macro-economic environment. Even though the utilization rate of Liftboats will improve and the Group does not expect charter rates to decline in view of the stabilisation of fossil fuel prices, the Group expects to enjoy material improvements in both topline and bottomline only in FY2019. This is because some of the charters are already contracted earlier at lower rates and not all the Liftboats will have full year contributions in FY2018.

In addition, we have reorganized our senior management team to turnaround and re-engineer the Group for future growth.

We are grateful and delighted to welcome Pavilion Capital as our strategic investor and partner to augment the Group's growth plans. The injection of additional capital is a clear endorsement of Ezion and its business focus in liftboats. The Company is indebted to all its stakeholders for investing in its recovery and growth, giving management and staff the confidence to sail forward and capture growth opportunities in this niche market segment in which Ezion has a strong competitive edge.

Appreciation & Regrets

We are grateful to God for being with us throughout the difficult refinancing exercise. We thank Him for the saints and friends He sent to hold our hands and help us, for the wisdom to deal with the complex problems and His peace to cope with the pressure. May His name be praised forever!

We apologise to all our stakeholders for any discomfort and inconvenience that you may have had to suffer with us. Despite these, you have responded with trust and kindness and, for these, we are most thankful.

THE GROUP HAS SINCE UNDERTAKEN A RATIONALIZATION OF OUR BUSINESS AND WILL FOCUS ON THE CORE LIFTBOAT BUSINESS AND SCALE DOWN JACK-UP RIGS AND OFFSHORE LOGISTICS VESSELS AS THE CHARTER RATES OF THESE ASSETS ARE VERY DEPRESSED IN ADDITION TO HIGH CAPITAL EXPENDITURE REQUIRED FOR DEPLOYMENT.

We are grateful to our fellow directors for their continued guidance and support. We are deeply appreciative of the unwavering commitment and hard work of our management and staff in these trying times in spite of the stress and pressure they experienced.

To our bankers, we thank you for your grace and unstinting support.

To our securityholders, we thank you for your confidence through the overwhelming votes of approval given at the consent solicitation exercise.

To our business associates and partners, we plan to forge ahead with you, through regular dialogue and closer collaboration. We are confident that together with your support Ezion will be much stronger and even more resilient.

To our co-shareholders, we thank you again for your friendship and support. Please be assured we will continue to work hard to preserve value and grow your investment.

May the Grace of our Lord be with you all!

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 27 April 2016. 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 and/or independent director of Charisma Energy Services Limited and Pharmesis International Limited, companies listed on the SGX-ST..

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 22 April 2015. 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. He previously served as independent director of Yong Xin International Holdings Limited.

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

Group Chief Financial Officer

Mr Goon Fook Wye Paul joined the Group in November 2012 and was appointed as Group Chief Financial Officer on 1 January 2018. He has more than 15 years of experience in auditing and commercial accounting and is responsible for the accounting, financial, taxation and corporate secretarial matters of the Company. 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 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 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 LAWRENCE CHAN

Chief Corporate Development Officer

Mr Lawrence Chan joined the Group in June 2015 and heads the commercial, corporate development and legal departments of the Group. He was the deputy regional business head of an offshore and marine services company that was listed on the Australia Securities Exchange. Prior to that, he was in the Executive Chairman's Office of Keppel Corporation Limited and held various portfolios such as corporate development and investments within the Keppel Group. Mr Chan holds a Master of Business Administration from Nanyang Technological University and BI Norwegian Business School, and is an Advocate & Solicitor of the Supreme Court of Singapore and a Barrister-at-law of England & Wales (Middle Temple).

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 DEREK KOH

Director, Fleet Services

Mr Derek Koh joined the Group in October 2017 and is responsible for Teras Fleet including Operations, HSEQA, Procurement, Crewing, Engineering, Training, New Builds and Technical functions. He holds a Bachelor of Business Administration and a Diploma in Shipbuilding and Offshore Engineering. Mr Koh has more than 22 years of experience in the marine industry and was the Chief Operating Officer of a listed marine services company prior to 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.

MR ALAN CHONG

Head, Corporate Finance

Mr Alan Chong joined the Group in February 2007 and is responsible for the debt and equity raising activities as well as the 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.

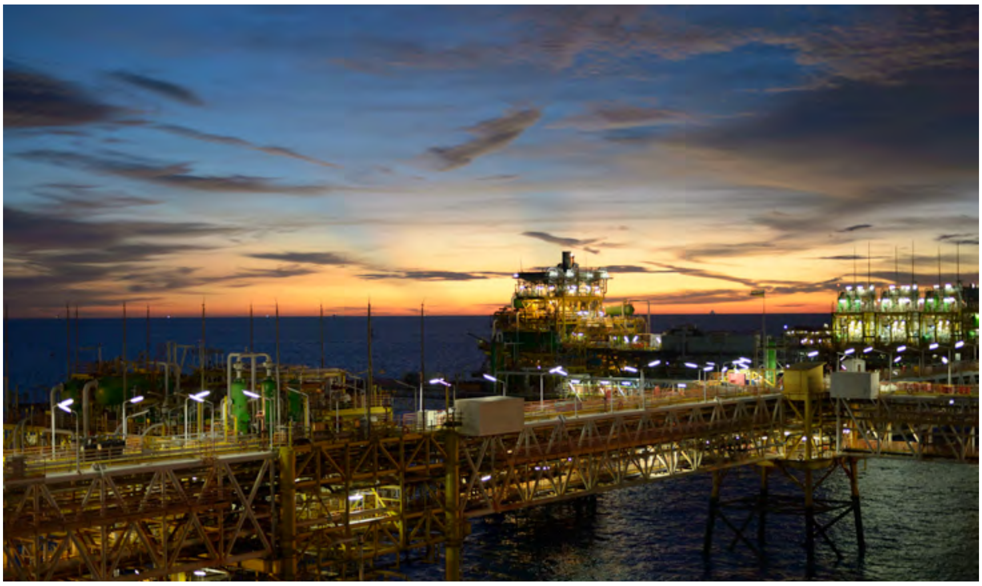
MR DERRICK CHING

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.

WE PLAN TO FORGE AHEAD THROUGH REGULAR DIALOGUE AND CLOSER COLLABORATION. WE ARE CONFIDENT THAT TOGETHER WITH YOUR SUPPORT EZION WILL BE MUCH STRONGER AND EVEN MORE RESILIENT.

OPERATIONS REVIEW



FINANCIAL HIGHLIGHTS

The Group's revenue for FY2017 decreased by 39.3% to US$193.1 million. The decrease in revenue was mainly due to the reduction in charter rates and delays in re-deployment of the Group's liftboats due to working capital constraints as a result of disruption from the refinancing exercise.

The cost of sales and servicing for FY2017 decreased by 25.6% to US$191.3 million as compared to FY2016. The decrease was largely due to reduction of depreciation arising from impairment losses of vessels in FY2016 and lower operating costs in FY2017.

As a result of the above, the Group's gross profit for FY2017 decreased by US$59.4 million (or 97.1%) to US$1.8 million as compared to FY2016.

The decrease in other income in FY2017 as compared to FY2016 was mainly due to lower gain arising from the disposal of subsidiaries coupled with unrealised foreign exchange gain recognised in FY2016.

THE DECREASE IN REVENUE WAS MAINLY DUE TO THE REDUCTION IN CHARTER RATES AND DELAYS IN RE-DEPLOYMENT OF THE GROUP'S LIFTBOATS DUE TO WORKING CAPITAL CONSTRAINTS AS A RESULT OF DISRUPTION FROM THE REFINANCING EXERCISE.

The other operating expenses in FY2017 includes write-off and impairment losses on plant and equipment, trade receivables and other receivables amounting to approximately US$896.9 million. Impairment losses for FY2017 were made after taking into account the oversupply of offshore support logistics services vessels and jack-up rigs in the industry, lower charter rates and depressed market value of these assets.

The decrease in finance income in FY2017 as compared to FY2016 was mainly due to lower interest income from fixed deposits with financial institutions.

The increase in finance costs in FY2017 as compared to FY2016 was due mainly to additional interest expense arising from higher interest rates as compared to FY2016.

OPERATIONS REVIEW

Higher share of associates and jointly controlled entities' losses in FY2017 as compared to FY2016 was mainly due to higher impairment losses on plant and equipment and trade receivables by the Group's Joint Ventures and Associates.

As a result of the above, the loss before income tax for FY2017 amounted to US$1.01 billion.

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$2.9 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 FY2017 consist of revenue from liftboats, jack-up rigs and offshore support logistics services vessels which amounted to approximately US$96.0 million or 49.7%, US$76.2 million or 39.5% and US$20.4 million or 10.5% respectively. The decrease in revenue from jack-up rigs for FY2017 as compared to FY2016 amounted to US$81.2 million or 51.6%. As a result, the revenue mix for liftboats, jack-up rigs and offshore support logistics services vessels for FY2017 was 49.7%, 39.5% and 10.5% (FY2016: 39.9%, 49.5% and 10.5%) respectively.

REVENUE ACCORDING TO BUSINESS SEGMENTS FOR FY2017 CONSIST OF REVENUE FROM LIFTBOATS, JACK-UP RIGS AND OFFSHORE SUPPORT LOGISTICS SERVICE VESSELS

SINGAPORE, MIDDLE EAST, INDIA, REST OF ASIA AND EUROPE

GEOGRAPHICAL SEGMENTS

Our revenue contributions based on geographical segments for FY2017 were adequately diversified, reducing geographical market risk. In FY2017, revenue contributed by Singapore, Middle East, India, rest of Asia and Europe amounted to approximately US$11.5 million or 5.9%, US$63.2 million or 32.8%, US$26.7 million or 13.8%, US$73.7 million or 38.2%, and US$13.7 or 7.1% respectively, of total revenue.

CORPORATE STRUCTURE

EZION HOLDINGS LIMITED

- 100% Teras Offshore Pte Ltd
- 100% Teras Genesis Pte Ltd
- 100% Teras Transporter Pte Ltd
- 50% Teras Lyza Pte Ltd
- 100% Teras 281 Pte Ltd
- 100% Teras Oranda Pte Ltd
- 100% Teras Singapore Pte Ltd
- 100% Teras 336 Pte Ltd
- 50% Teras Conquest 8 Pte Ltd
- 100% Teras 333 Pte Ltd
- 100% Teras 375 Pte Ltd
- 100% Teras Pacific Pte Ltd
- 100% Teras Conquest 2 Pte Ltd
- 100% Teras Harta Maritime Limited
  - 50% Twin Fountain Limited
- 100% Teras Investments Pte Ltd
  - 100% Resilient Energy Limited
  - 100% GSP Magellan Limited
  - 100% Nora Limited
  - 50% Kenai Offshore Ventures, LLC
  - 50% Teras Offshore (B) Sdn Bhd
- 100% Teras Conquest 5 Pte Ltd
- 100% Teras Conquest 6 Pte Ltd
- 100% Teras Conquest 9 Pte Ltd
- 100% Teras Atlantic Pte Ltd
- 100% Ezion Maritime Pte Ltd
- 100% Teras Sunrise Pte Ltd
- 100% Teras Pneuma Pte Ltd
- 100% Teras Europe ApS
- 100% Teras Conquest 1 Pte Ltd
- 100% Teras Conquest 4 Pte Ltd
- 100% Teras Conquest 7 Pte Ltd
- 50% EG Marine Pte Ltd
- 50% Kenai Offshore Ventures, LLC
- 100% Meridian Maritime Pte Ltd
- 100% Teras Progress Pte Ltd
- 100% Teras Wallaby Pte Ltd
- 100% Teras Fortress 2 Pte Ltd
- 100% Teras Pegasus Pte Ltd

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

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

Lee Tiong Hock
Goon Fook Wye Paul

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CORPORATE GOVERNANCE REPORT

The Board of Directors 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.

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.

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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 2017 ("FY2017") 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.

CORPORATE GOVERNANCE REPORT

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

During FY2017, Directors were 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 FY2017 in accordance with the Code's guidelines. The NC and Board consider a director as independent if he has no relationship with the Company, its related corporations, its 10% shareholders or officers that could interfere or reasonably perceived to interfere with the exercise of the director's independent business judgment with a view to the best interest of the Company. There is no Director who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code 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.

CORPORATE GOVERNANCE REPORT

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.

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.

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The Directors submit themselves for re-nomination and re-election at regular intervals of at least once 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.

Dr Wang Kai Yuen, Independent Non-Executive Chairman and Mr Tan Woon Hum, an Independent Non-Executive Director, will be retiring at the forthcoming AGM pursuant to Article 107 of the Company's Constitution. Both Dr Wang and Mr Tan being eligible, had consented to 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.

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	27 April 2016
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	22 April 2015
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.

CORPORATE GOVERNANCE REPORT

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 FY2017 and expects that the Directors will continue to discharge their duties adequately in FY2018.

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

CORPORATE GOVERNANCE REPORT

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 Plan and the Ezion Employee 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.

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.

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The Company has in place the Ezion Employee Share Option Scheme and Ezion Employee Share Plan, both administered by the RC. Details of the Scheme and the Share Plan are disclosed under Directors' Statement set out in pages 50 to 53 of this Annual Report.

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 FY2017 is as follows:

REMUNERATION BAND AND NAME OF DIRECTORS	FEES %	SALARY & CPF %	BONUS & CPF %	OTHER BENEFITS %	TOTAL %
US$1,000,000 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

* Appointed as Independent Non-Executive Director on 5 January 2016

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 nine 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 nine key management personnel received total remuneration of less than US$400,000 each for FY2017.

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.

CORPORATE GOVERNANCE REPORT

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.

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.

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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 FY2017, the Board has received assurance from the CEO and Group 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 Group 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 risk management and internal control systems addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2017.

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.

The Company is placing emphasis on sustainability and would be implementing appropriate policies and programs. The Company will publish its inaugural sustainability report by the end of 2018, in compliance with the Listing Rules.

CORPORATE GOVERNANCE REPORT

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.

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.

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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 FY2017.

The AC has reviewed the non-audit service provided by the external auditor for FY2017. 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 FY2017 and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 129.

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 ("KAMs")	AC COMMENTARY ON THE KAMs, HOW THE MATTERS WERE REVIEWED AND WHAT DECISIONS WERE TAKEN
Valuation of Vessels and Service Rigs	The AC reviewed the outcomes of the valuation process for vessels and rigs. AC had also focused on the key assumptions applied in the determination of the value-in-use 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 of the CGUs. The AC was satisfied with the impairment review process, the approach and methodology used during the valuation process.
Valuation 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. The AC received audit findings from the external auditors on their assessment of the recoverability on the long outstanding trade receivables. The AC was satisfied with the review process, the approach and the justification on the amount of impairment of the trade receivables.

CORPORATE GOVERNANCE REPORT

KEY AUDIT MATTERS ("KAMs") (CONT'D)	AC COMMENTARY ON THE KAMs, HOW THE MATTERS WERE REVIEWED AND WHAT DECISIONS WERE TAKEN
Valuation of Investment in Associates and Joint Ventures	The AC discussed with management on their approach to assess the recoverability of investment in associates and joint ventures. Specifically, the AC evaluated the methodology and basis adopted by management to determine the recoverability of investment in associates and joint ventures. The AC also considered the findings from the auditors. The AC was satisfied with the impairment review process, the approach and methodology used, and the assessment that no impairment of associates was required at this time.

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.

CORPORATE GOVERNANCE REPORT

In relation to FY2017, 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.

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.

CORPORATE GOVERNANCE REPORT

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.

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 2017.

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.

USE OF PROCEEDS

PROCEEDS	DESCRIPTION OF USE OF PROCEEDS	REMAINING AS AT 9 APRIL 2018
Net proceeds of approximately S$132.74 million from the renounceable underwritten rights issue of 478,576,422 ordinary shares in the capital of the Company completed on 5 August 2016.	Acquisition of offshore and marine assets, general working capital and repayment of terms loans	Nil

DIRECTORS' STATEMENT

Year ended 31 December 2017

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 2017.

In our opinion:

(a) the financial statements set out on pages 61 to 153 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 2017 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; 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:

	DIRECT		DEEMED	
NAME OF DIRECTOR AND CORPORATION IN WHICH INTERESTS ARE HELD	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	2,220,000	2,100,000	–	–
Chew Thiam Keng	27,259,440	27,259,440	250,324,000	190,324,000
Tan Woon Hum	299,520	299,520	650,000	650,000

DIRECTORS' STATEMENT

Year ended 31 December 2017

By virtue of Section 7 of the Act, Chew Thiam Keng, is deemed to have interests in the subsidiaries of the Company, 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 2018.

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

Year ended 31 December 2017

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.

DIRECTORS' STATEMENT

Year ended 31 December 2017

- The options granted expire after 10 years or upon cessation of the employment of employees.

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.

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

DATE OF GRANT OF OPTIONS	EXERCISE PRICE PER SHARE	OPTIONS OUTSTANDING AT 1 JANUARY 2017 AND 31 DECEMBER 2017	NUMBER OF OPTION HOLDERS AT 31 DECEMBER 2017	EXERCISE PERIOD
		'000		
11/10/2011	S$0.259	2,245	1	11/10/2012 to 11/10/2021
7/6/2012	S$0.462	1,828	8	7/6/2013 to 7/6/2022
21/1/2013	S$0.973	7,682	34	21/1/2015 to 21/1/2023
16/1/2015	S$1.011	11,700	52	16/1/2017 to 16/1/2025
9/3/2016	S$0.489	7,140	62	9/3/2018 to 9/3/2026
		30,595		

Except for the above, there are no other share options forfeited, expired, cancelled or exercised since commencement of Scheme to 31 December 2017.

DIRECTORS' STATEMENT

Year ended 31 December 2017

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

NAME OF DIRECTOR	OPTIONS GRANTED FOR FINANCIAL YEAR ENDED 31 DECEMBER 2017	AGGREGATE OPTIONS GRANTED SINCE COMMENCEMENT OF SCHEME TO 31 DECEMBER 2017	AGGREGATE OPTIONS EXERCISED SINCE COMMENCEMENT OF SCHEME TO 31 DECEMBER 2017	AGGREGATE OPTIONS CANCELLED SINCE COMMENCEMENT OF SCHEME TO 31 DECEMBER 2017	AGGREGATE OPTIONS OUTSTANDING AS AT 31 DECEMBER 2017
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

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 2017.

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 4 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

DIRECTORS' STATEMENT

Year ended 31 December 2017

- 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 and its subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

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

9 April 2018

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 2017, 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 61 to 153.

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 Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 2017 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 (ACRA) 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.

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.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

VALUATION OF THE GROUP'S VESSELS AND SERVICE RIGS
(REFER TO NOTE 4 TO THE FINANCIAL STATEMENTS)

The key audit matter

As at 31 December 2017, the Group's liftboats, offshore support logistics vessels and jack-up rigs ("Vessels and Rigs") amounted to US$1.39 billion.

Arising from the continuing challenging industry conditions, the Group recognised additional impairment loss of US$697.3 million on the Vessels and Rigs during the year.

The impairment loss was calculated based on the value in use of the Vessels and Rigs by discounting their estimated future cash flows from operations. For this purpose, each Vessel and Rig is a separate cash generating unit ("CGU").

The determination of the value in use 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 ultilisation rates to those acheived 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.

We also evaluated the adequacy of the disclosures in the financial statements in respect of the key assumptions and estimates together with sensitivity analysis, applied in determining the possible range of impairment losses 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 the management's estimates and disclosures of the key assumptions used in the value in use calculations to be balanced.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

RECOVERABILITY OF TRADE RECEIVABLES
(REFER TO NOTE 9 TO THE FINANCIAL STATEMENTS)

The key audit matter

As at 31 December 2017, the Group has trade receivables of US$81.5 million, net of accumulated allowance for impairment losses of US$185.1 million.

The Group maintains an allowance for impairment losses on the estimated losses that may result from the customers' inability to make the required payments, at a level considered adequate to provide for potential uncollectible receivables. Determining the amount of allowance for impairment losses requires significant judgement taking into consideration the customers' payment records and financial health.

How the matter was addressed in our audit

We evaluated the management's assessment of recoverability of trade receivables, focusing on those that are long outstanding and/or of significant amounts.

Our procedures included:

– analysing the payment history of the selected customers and the receipts subsequent to the year end;

– evaluating the financial health of the customers based on known information;

– where appropriate, inquiring about the status of on-going discussions between the Group and the customers; and

– inquiring with management on any known disputes or adverse information about the customer's ability to repay the outstanding amounts.

We also considered the adequacy of disclosures in the financial statements about the risk of estimation involved in arriving at the impaired amounts.

Findings

The Group has used observable information that is available and has applied its knowledge of the customers in determining the recoverability of the trade receivable amounts. We found the Group's disclosures in the financial statements with regard to allowance for impairment losses to be appropriate.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

VALUATION OF INTERESTS IN JOINT VENTURES AND ASSOCIATES (REFER TO NOTES 6 AND 7 TO THE FINANCIAL STATEMENTS)

The key audit matter

As at 31 December 2017, the Group's carrying value of investments in and loan to joint ventures and associates ("interests in joint ventures and associates") amounted to US$178.9 million, comprising US$30.5 million of listed investments and US$148.4 million of unlisted interests.

Recoverability of the interests in joint ventures and associates is 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 investee's net assets.

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.

We compared the carrying value of the interests with the fair value calculated based on the share prices of the investees.

Where the interests is not listed or the share price of the listed investment 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.

Findings

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

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.

Our opinion on the financial statements does not cover the other information and we do not and will 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.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

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 FRSs, 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 auditor's 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 control.

- Obtain an understanding of internal control 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Ezion Holdings Limited

- 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 control 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 to 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 auditor's report unless law or regulation precludes 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 auditor's report is Lucas Tran.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
9 April 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		GROUP		COMPANY	
	NOTE	2017	2016	2017	2016
		US$'000	US$'000	US$'000	US$'000
Non-current assets					
Plant and equipment	4	1,389,850	2,198,446	179	406
Subsidiaries	5	–	–	1,041,595	1,285,514
Joint ventures	6	98,120	171,584	66,897	52,232
Associates	7	80,817	78,801	69,506	60,153
Other assets, including derivatives	8	75,517	4,941	3,847	2,241
		1,644,304	2,453,772	1,182,024	1,400,546
Current assets					
Trade receivables	9	81,524	178,899	9,383	9,599
Other assets	8	154,113	164,086	97,014	68,053
Assets held for sale	10	9,350	–	–	–
Cash and cash equivalents	11	46,469	204,953	20,255	149,497
		291,456	547,938	126,652	227,149
Total assets		1,935,760	3,001,710	1,308,676	1,627,695
Equity					
Share capital	12	648,940	648,940	648,940	648,940
Perpetual securities	13	116,499	116,499	116,499	116,499
Redeemable exchangeable preference shares	14	23,464	23,464	–	–
Reserves	15	(26,411)	(31,549)	(529)	(1,541)
(Accumulated losses)/Retained earnings		(457,666)	558,030	(455,058)	798
Equity attributable to owners of the Company		304,826	1,315,384	309,852	764,696
Non-current liabilities					
Other payables	16	26,355	33,961	78,941	141,817
Notes payable	17	361,501	372,040	361,501	372,040
Financial liabilities	18	13	788,067	13	112,082
		387,869	1,194,068	440,455	625,939
Current liabilities					
Trade payables	19	89,057	112,074	102	198
Other payables	16	100,217	42,846	331,673	110,240
Notes payable	17	44,890	–	44,890	–
Financial liabilities	18	1,002,537	331,055	177,994	122,912
Provision for tax		6,364	6,283	3,710	3,710
		1,243,065	492,258	558,369	237,060
Total liabilities		1,630,934	1,686,326	998,824	862,999
Total equity and liabilities		1,935,760	3,001,710	1,308,676	1,627,695

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017

	NOTE	2017 US$'000	2016 US$'000
Revenue	21	193,108	318,245
Cost of sales		(191,304)	(256,999)
Gross profit		1,804	61,246
Other income		10,575	32,254
Administrative expenses		(17,587)	(18,328)
Other expenses		(961,282)	(76,238)
Results from operating activities		(966,490)	(1,066)
Finance income		4,513	4,695
Finance costs		(36,546)	(32,512)
Net finance costs	22	(32,033)	(27,817)
Share of results of joint ventures and associates, net of tax		(16,187)	(2,041)
Loss before income tax	23	(1,014,710)	(30,924)
Income tax expense	24	(2,892)	(2,682)
Loss for the year attributable to owners of the Company		(1,017,602)	(33,606)
Loss per share			
Basic loss per share (cents)	25	(49.44)	(2.30)
Diluted loss per share (cents)	25	(49.44)	(2.30)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 US$'000	2016 US$'000
Loss for the year	(1,017,602)	(33,606)
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)	892
Share of foreign currency translation differences of associates	–	402
Exchange differences on monetary items forming part of net investment in foreign operations	4,478	(1,969)
Effective portion of changes in fair value of cash flow hedges	1,006	1,449
Other comprehensive income for the year, net of tax	5,138	774
Total comprehensive income for the year, attributable to owners of the Company	(1,012,464)	(32,832)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	NOTE	SHARE CAPITAL US$'000	PERPETUAL SECURITIES US$'000	REDEEMABLE EXCHANGEABLE PREFERENCE SHARES US$'000	TREASURY SHARES US$'000	FOREIGN CURRENCY TRANSLATION RESERVE US$'000	HEDGING RESERVE US$'000	STATUTORY RESERVE US$'000	RETAINED EARNINGS US$'000	TOTAL EQUITY US$'000
		ATTRIBUTABLE TO OWNERS OF THE COMPANY								
Group										
At 1 January 2016		536,368	116,499	23,464	(1,480)	(29,333)	(1,504)	(6)	597,302	1,241,310
Total comprehensive income for the year										
Loss for the year		–	–	–	–	–	–	–	(33,606)	(33,606)
Other comprehensive income										
Foreign currency translation differences relating to financial statements of foreign operations		–	–	–	–	892	–	–	–	892
Share of foreign currency translation differences of associates		–	–	–	–	402	–	–	–	402
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	(1,969)	–	–	–	(1,969)
Effective portion of changes in fair value of cashflow hedges		–	–	–	–	–	1,449	–	–	1,449
Total comprehensive income for the year		–	–	–	–	(675)	1,449	–	(33,606)	(32,832)
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Issue of shares		112,572	–	–	–	–	–	–	–	112,572
Accrued perpetual securities distributions		–	–	–	–	–	–	–	(7,634)	(7,634)
Share-based payment transactions	20	–	–	–	–	–	–	–	1,968	1,968
Total contributions by and distributions to owners		112,572	–	–	–	–	–	–	(5,666)	106,906
At 31 December 2016		648,940	116,499	23,464	(1,480)	(30,008)	(55)	(6)	558,030	1,315,384

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		ATTRIBUTABLE TO OWNERS OF THE COMPANY								
	NOTE	SHARE CAPITAL US$'000	PERPETUAL SECURITIES US$'000	REDEEMABLE EXCHANGEABLE PREFERENCE SHARES US$'000	TREASURY SHARES US$'000	FOREIGN CURRENCY TRANSLATION RESERVE US$'000	HEDGING RESERVE US$'000	STATUTORY RESERVE US$'000	RETAINED EARNINGS/ (ACCUMULATED LOSSES) US$'000	TOTAL EQUITY US$'000
Group										
At 1 January 2017		648,940	116,499	23,464	(1,480)	(30,008)	(55)	(6)	558,030	1,315,384
Total comprehensive income for the year										
Loss for the year		-	-	-	-	-	-	-	(1,017,602)	(1,017,602)
Other comprehensive income										
Foreign currency translation differences relating to financial statements of foreign operations		-	-	-	-	(352)	-	6	-	(346)
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		-	-	-	-	4,126	1,006	6	(1,017,602)	(1,012,464)
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Accrued perpetual securities distributions		-	-	-	-	-	-	-	(7,634)	(7,634)
Share-based payment transactions	20	-	-	-	-	-	-	-	1,325	1,325
Share of associate's other reserves		-	-	-	-	-	-	-	8,215	8,215
Total contributions by and distributions to owners		-	-	-	-	-	-	-	1,906	1,906
At 31 December 2017		648,940	116,499	23,464	(1,480)	(25,882)	951	-	(457,666)	304,826

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	NOTE	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Loss for the year		(1,017,602)	(33,606)
Adjustments for:			
Income tax expense	24	2,892	2,682
Depreciation expense	4	142,051	150,612
(Gain)/Loss on disposal of:			
- plant and equipment		(86)	5,116
- assets held for sale		–	(26,251)
- gain on sale of disposal of subsidiaries	26	(9,554)	–
Foreign exchange loss/(gain), net		31,617	(8,144)
Income from financial guarantee income provided to joint ventures		(36)	(1,325)
Finance income	22	(4,513)	(4,695)
Finance costs	22	36,546	32,512
Net impairment loss on:			
- plant and equipment	4	697,322	45,647
- trade receivables	9	110,157	25,219
Write off of loans to joint venture	23	32,704	–
Write off of trade receivables and other receivable	23	56,715	–
Equity-settled share-based payment transactions	20	1,325	1,968
Share of results of joint ventures and associates, net of tax		16,187	2,041
		95,725	191,776
Changes in:			
Trade receivables and other assets		(1,460)	(31,530)
Trade and other payables		(28,836)	(11,651)
Cash generated from operating activities		65,429	148,595
Tax paid		(2,811)	(2,905)
Net cash from operating activities		62,618	145,690
Cash flows from investing activities			
Advance payments for purchase of plant and equipment		(19,124)	(827)
Interest received		2,915	2,431
Investment in joint ventures		(4,440)	(21,013)
Investment in associates		(14,653)	(7,607)
Proceeds from disposal of plant and equipment		603	1,829
Proceeds from disposal of assets held for sale		–	20,400
Purchase of plant and equipment		(35,875)	(66,715)
Net cash used in investing activities		(70,574)	(71,502)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	NOTE	2017 US$'000	2016 US$'000
Cash flows from financing activities			
Interest paid		(36,858)	(38,178)
Net proceeds from issuance of ordinary shares		–	99,843
Proceeds from borrowings		39,862	45,666
Repayment of borrowings		(156,067)	(191,813)
Net cash used in financing activities		(153,063)	(84,482)
Net decrease in cash and cash equivalents		(161,019)	(10,294)
Cash and cash equivalents at 1 January		204,953	229,756
Effect of exchange rate fluctuations on cash held		2,535	(14,509)
Cash and cash equivalents at 31 December	11	46,469	204,953

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 9 April 2018.

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 Company as at and for the year ended 31 December 2017 comprise the Company, its subsidiaries and jointly controlled operations (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and joint ventures.

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 5 to the financial statements.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

(b) Basis of measurement

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

(c) 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 United States dollars has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with FRSs 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 30.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

2 BASIS OF PREPARATION (CONT'D)

(e) Changes in accounting policies

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and*
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (refer to note 18).

Other than the amendments to FRS 7, the adoption of these amendments did not have any significant impact on the current or prior period and is not likely to affect future periods.

(f) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its debt obligations as and when they fall due within the next twelve months.

As at 31 December 2017, the Group's and the Company's current liabilities exceeded current assets by US$951,609,000 and US$431,717,000 respectively. The net current liabilities position of the Group and the Company was due to the reclassification of bank borrowings to current liabilities, as the Group defaulted on its bank loans while the debt refinancing exercise ("Refinancing Exercise") involving the banks and noteholders was still in progress.

On 28 March 2018, the Group had successfully concluded its Refinancing Exercise and received the approval by its shareholders during the extraordinary general meeting ("EGM").

Following the completion of the Refinancing Exercise, US$1,020,728,000 and US$177,980,000 of the Group's and the Company's current liabilities will be deferred beyond the next financial year. Had these current liabilities been reclassified to non-current as at 31 December 2017, the Group's and the Company's net current liabilities as at 31 December 2017 would have become net current assets of US$69,119,000 and net current liabilities of US$253,737,000 respectively. Further details of the Refinancing Exercise are disclosed in note 32 to the financial statements.

Additionally, the management has assessed the Group's cash flow projection for the next twelve months. The projections are based on conditions as set out in the Refinancing Exercise. Having regard to the Refinancing Exercise and the cashflow projection, the Group is satisfied that it is able to meet its debt obligations as and when they fall due within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *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 FRSs.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(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 and are recognised initially at cost. The cost of the investments 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 of the equity accounted investees, after adjustments to align the accounting policies of the equity accounted investee with those of the Group, from the date that significant influence joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(vii) Accounting for subsidiaries, associates and joint ventures

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are retranslated 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 retranslated 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 recognised in profit or loss, except for the differences arising on the retranslation of available-for-sale equity instruments and retranslation of monetary items that are in substance form part of the Group's net investment in foreign operations (see (iii) below).

(ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (cont'd)

(ii) Foreign operations (cont'd)

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 other comprehensive income, and are presented in the 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 other comprehensive income 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.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Plant and equipment (cont'd)

(ii) Subsequent costs (cont'd)

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.

(d) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are 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 are 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).

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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(g)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

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

Available-for-sale financial assets (cont'd)

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 comprise equity securities.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise financial liabilities, notes payable and trade and other payables (excludes downpayments and advances from customers, interest rate swaps used for hedging and deferred revenue).

(iii) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(iii) Share capital (cont'd)

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.

(iv) 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 reserve for own share 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.

(v) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group 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 are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(vi) Derivative financial instruments, including hedge accounting

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 economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transactions are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(vi) Derivative financial instruments, including hedge accounting (cont'd)

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(e) 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

(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.

(f) 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.

(g) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include 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 will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, 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 is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment (cont'd)

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

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is 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. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment (cont'd)

(ii) 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. For goodwill, the recoverable amount is estimated each year at the same time. 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 CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

(h) Non-current assets held for sale

Non-current assets comprising assets and liabilities that are expected 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, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains nor losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Non-current assets held for sale (cont'd)

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

(i) 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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Revenue recognition

(i) Chartering and offshore support services

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

(ii) Rendering of marine services

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

(iii) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

(iv) Management services fees

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

(v) Dividend income

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

(l) Finance income and costs

Finance income comprises interest income on bank deposits and finance leases. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Finance income and costs (cont'd)

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.

(m) Income tax expense

Income 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 other comprehensive income.

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.

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.

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 income 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.

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of the existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS 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 EPS 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 redeemable exchangeable preference shares and share options granted to employees.

(o) 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.

(p) Full convergence with Singapore Financial Reporting Standards (SFRS (I)) and adoption of new standards

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). 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.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards (International).*

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I) and requirements of SFRS(I)s which are mandatorily effective from the same date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Full convergence with Singapore Financial Reporting Standards (SFRS (I)) and adoption of new standards (cont'd)

Applicable to 2018 financial statements (cont'd)

- *SFRS(I) 15 Revenue from Contracts with Customers and Amendments to IFRS 15 Clarifications to IFRS 15 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 Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 1 and SFRS(I) 9.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Full convergence with Singapore Financial Reporting Standards (SFRS (I)) and adoption of new standards (cont'd)

Applicable to 2018 financial statements (cont'd)

New standards

Summary of the requirements	**Potential impact on the financial statements**
SFRS(I) 1 When the Group adopts SFRS in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2019, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described in the next section, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.	**(i) Business combinations** The Group plans to elect the optional exemption in SFRS(I) not to apply SFRS(I) 3 retrospectively to past business combinations that occurred before the date of transition (1 January 2018). All business combinations occurring on or after the date of transition are accounted for in accordance with SFRS. **(ii) Foreign currency translation reserve ("FCTR")** The Group plans to elect the optional exemption in SFRS (I) to reset its cumulative FCTR for all foreign operations to nil at the date of transition and to reclassify the cumulative FCTR of US$30.0 million as at 1 January 2017 determined in accordance with FRS at that date to retained earnings. After the transition, any gain or loss on disposal of foreign operations will exclude translation differences that arose before the date of transition.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Full convergence with Singapore Financial Reporting Standards (SFRS (I)) and adoption of new standards (cont'd)

Applicable to 2018 financial statements (cont'd)

Summary of the requirements

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from FRS 39.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

Potential impact on the financial statements

During 2017, the Group completed its initial assessment of the impact on the Group's financial statements.

Overall, the Group is still assessing the impact on its opening equity for the effect of applying the impairment requirements of SFRS(I) 9. The Group's initial assessment of the three elements of SFRS(I) 9 is as described below.

Classification and measurement - The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9.

For equity investment currently classified as available for sale, the Group expects to classify it as financial assets subsequently measured at fair value through other comprehensive income ("FVOCI") as they are held to maintain liquidity for the Group and may be sold from time to time should the need arises.

Impairment - The Group is still assessing the impact of the impairment loss allowance upon the introduction of the expected loss model. The Group plans to apply the simplified approach and record lifetime expected impairment losses for all trade receivables from 1 January 2018.

Hedge accounting - The Group has determined that all its existing hedges that are designated as effective hedging relationships continues to qualify for hedge accounting under SFRS(I) 9.

Transition - The Group plans to adopt the standard from 1 January 2018 without restating comparative information. The Group will perform detailed analysis of certain available policy choices and other refinements as described above and disclose any material impacts in the first quarter announcement of 2018.

The impact assessment reflects the Group's expectations of the tax implication arising from the changes in accounting treatment. Tax effects may change when the transition adjustments are finalised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Full convergence with Singapore Financial Reporting Standards (SFRS (I)) and adoption of new standards (cont'd)

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

- SFRS(I) 16 *Leases*

Summary of the requirements	Potential impact on the financial statements
SFRS(I) 16 *Leases*	
SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor. When effective, SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied.	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 28(b)). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down. The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients. Until 2019, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

4 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								
At 1 January 2016	756,073	379,520	2,827	17,086	1,461,480	2,515	711	2,620,212
Additions	48,213	2,399	11	11,377	56,385	191	–	118,576
Disposals	–	(9,723)	(149)	(1,384)	–	(18)	–	(11,274)
Reclassification	(175,772)	–	–	–	175,772	–	–	–
Translation differences on consolidation	–	(79)	–	–	(1,759)	–	–	(1,838)
At 31 December 2016	628,514	372,117	2,689	27,079	1,691,878	2,688	711	2,725,676
Additions	35,648	10	–	1,107	632	43	–	37,440
Disposals	–	(795)	(11)	–	–	–	–	(806)
Reclassification to Assets held for sale	–	–	–	–	(126,232)	–	–	(126,232)
Translation differences on consolidation	–	(601)	–	–	6,166	–	–	5,565
At 31 December 2017	664,162	370,731	2,678	28,186	1,572,444	2,731	711	2,641,643
Accumulated depreciation and impairment losses								
At 1 January 2016	–	68,781	2,380	1,832	260,870	1,733	499	336,095
Depreciation charge for the year	–	15,611	208	2,990	131,363	357	83	150,612
Disposals	–	(3,734)	(115)	(625)	–	(18)	–	(4,492)
Impairment loss for the year	11,717	11,477	–	–	22,453	–	–	45,647
Translation differences on consolidation	–	(22)	–	–	(611)	1	–	(632)
At 31 December 2016	11,717	92,113	2,473	4,197	414,075	2,073	582	527,230
Depreciation charge for the year	–	14,678	191	3,512	123,308	317	45	142,051
Disposals	–	(278)	(4)	–	–	–	–	(282)
Reclassification	(732)	–	–	–	732	–	–	–
Reclassification to Assets held for sale	–	–	–	–	(116,882)	–	–	(116,882)
Impairment loss for the year	333,892	139,318	–	–	224,112	–	–	697,322
Translation differences on consolidation	–	(1,047)	–	–	3,401	–	–	2,354
At 31 December 2017	344,877	244,784	2,660	7,709	648,746	2,390	627	1,251,793
Carrying amounts								
At 1 January 2016	756,073	310,739	447	15,254	1,200,610	782	212	2,284,117
At 31 December 2016	616,797	280,004	216	22,882	1,277,803	615	129	2,198,446
At 31 December 2017	319,285	125,947	18	20,477	923,698	341	84	1,389,850

During the financial year, the Group acquired plant and equipment with an aggregate cost of approximately US$37,440,000 (2016: US$118,576,000) of which approximately US$1,565,000 (2016: US$2,351,000) was paid in advance to the suppliers in the previous year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

4 PLANT AND EQUIPMENT (CONT'D)

COMPANY	RENOVATION, FURNITURE, FITTINGS AND OFFICE EQUIPMENT US$'000	MOTOR VEHICLES US$'000	TOTAL US$'000
Cost			
At 1 January 2016	1,623	712	2,335
Additions	130	–	130
At 31 December 2016	1,753	712	2,465
Additions	52	–	52
At 31 December 2017	1,805	712	2,517
Accumulated depreciation			
At 1 January 2016	1,268	500	1,768
Depreciation charge for the year	208	83	291
At 31 December 2016	1,476	583	2,059
Depreciation charge for the year	234	45	279
At 31 December 2017	1,710	628	2,338
Carrying amounts			
At 1 January 2016	355	212	567
At 31 December 2016	277	129	406
At 31 December 2017	95	84	179

Impairment assessment

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

In 2017, due to the continuing challenging industry conditions, the Group re-computed the recoverable amounts of vessels and rigs. As a result, the Group recognised additional impairment losses of US$697,322,000 (2016: US$45,647,000) for the year. The impairment losses were included in 'other operating expenses' in the Group's 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.

4 PLANT AND EQUIPMENT (CONT'D)

Impairment assessment (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			
– FY2018 to FY2020	Actual FY2017 or FY2018 secured charter rates	Actual FY2017 or FY2018 secured charter rates	Actual FY2017 or FY2018 secured charter rates
– FY2021 to end of estimated useful life	An average upward revision of 50% in FY 2020	An average upward revision of 40% in FY 2020	An average upward revision of 15% in FY 2020
Projected utilisation rate upon deployment			
– FY2018	50% - 75% (2016: 75%)	0% 50% - 90% (2016: 50%-75%)	10% (2016: 50%-75%)
– FY2019	75%-90% (2016: 90%)	0% 75%-90% (2016: 90%)	35% - 55% (2016: 50%-55%)
– FY2020 to end of estimated useful life	90% (2016: 90%)	75% - 90% (2016: 90%)	35% - 55% (2016: 50%-55%)
– Pre-tax discount rate	8.0% (2016: 9.2%)	8.0% (2016: 9.2%)	9.5% (2016: 10.1%)

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

4 PLANT AND EQUIPMENT (CONT'D)

Sources of estimation uncertainty

The recoverable amounts of the liftboats, jack-up rigs and offshore support logistics vessels are sensitive to changes in the utlisation rates. Assuming all other assumptions remain constant, incorporating an additional risk relates to forecasting uncertainties in the form of alpha risk of 2.2% which resulted in an increase of 0.5% in discount rates. The increase in impairment loss would be approximately US$14,200,000 and US$5,700,000 respectively for jack-up rigs and offshore support logistics services vessels.

Security

At 31 December 2017, plant and equipment of the Group with carrying amount of US$1,367,835,000 (2016: US$1,926,099,000) are pledged as security to secure the term loans facilities (note 18).

Assets under construction

Included in assets under construction are borrowing costs related to the construction of assets amounting to US$100,356,000 (2016: US$74,713,000). Borrowing costs capitalised during the year amounted to US$25,643,000 (2016: US$24,274,000).

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

	GROUP	
	2017	2016
	US$'000	US$'000
Cost of sales	141,694	150,193
Administrative expenses	357	419
	142,051	150,612

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

5 SUBSIDIARIES

	COMPANY	
	2017	2016
	US$'000	US$'000
Equity investments, at cost	295,680	295,835
Impairment losses	(151,463)	(39,957)
	144,217	255,878
Loans to subsidiaries	1,304,054	1,166,258
Impairment losses	(406,676)	(136,622)
	897,378	1,029,636
	1,041,595	1,285,514

Except for amounts of US$581,432,000 (2016: US$505,130,000) which bear interest ranging from 3.65% to 5.10% (2016: 3.65% to 5.10%) per annum, the loans to subsidiaries are interest-free. The loans to subsidiaries are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investments in the subsidiaries, they are stated at cost less impairment.

Impairment losses

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

	COMPANY	
	2017	2016
	US$'000	US$'000
At 1 January	39,957	27,286
Impairment losses	111,506	12,671
At 31 December	151,463	39,957

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

	COMPANY	
	2017	2016
	US$'000	US$'000
At 1 January	136,622	46,570
Impairment losses	270,054	90,052
At 31 December	406,676	136,622

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Year ended 31 December 2017

5 SUBSIDIARIES (CONT'D)

Impairment losses (cont'd)

The impairment losses amounting to US$111,506,000 (2016: US$12,671,000) and US$270,054,000 (2016: US$90,052,000) in 2017 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 recoverable amounts of the net assets owned by the subsidiaries, which comprise predominantly vessels and rigs whose recoverable amounts were estimated using the value in use calculations as described in note 4.

A subsidiary is considered significant if its net tangible assets represent 2% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 2% or more than the Group's consolidated pre-tax profits.

Details of the significant subsidiaries are as follows:

NAME OF SIGNIFICANT SUBSIDIARY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	2017	2016
			%	%
Held by the Company				
Teras Offshore Pte Ltd [1]	Shipping agent and provision of ship chartering services, ship management services and engineering works.	Singapore	100	100
Teras Conquest 2 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Conquest 5 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Conquest 6 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras 375 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Pneuma Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic London Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras 336 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Esbjerg Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100

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Year ended 31 December 2017

5 SUBSIDIARIES (CONT'D)

NAME OF SIGNIFICANT SUBSIDIARY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	2017 %	2016 %
Held by the Company (cont'd)				
Atlantic Amsterdam Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Tiburon 2 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Ezion Investments Pte Ltd [1]	Investment holding	Singapore	100	100
Kenai Offshore Ventures, LLC [2]	Ship owner and provision of ship chartering services	United States of America	100	100
Teras Conquest 1 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Conquest 4 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Conquest 3 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Transporter Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Fortress 2 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Tiburon 1 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Harta Maritime Limited [2]	Ship owner and provision of ship chartering services	Bahamas	100	100
Teras Investments Pte Ltd [1]	Investment holding	Singapore	100	100
Meridian Maritime Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Sunrise Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Oranda Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100

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Year ended 31 December 2017

5 SUBSIDIARIES (CONT'D)

NAME OF SIGNIFICANT SUBSIDIARY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	2017 %	2016 %
Held by the Company (cont'd)				
Teras Progress Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Wallaby Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Atlantic Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Singapore Pte Ltd [1] (formerly known as Teras 335 Pte Ltd)	Provision of financing services	Singapore	100	100
Held by Teras Investments Pte Ltd				
Other indirect significant subsidiary:				
Resilient Energy Limited [3]	Ship owner and provision of ship chartering services	Malaysia	100	100
GSP Magellan Limited [3]	Ship owner and provision of ship chartering services	Malaysia	100	100
Nora Limited [3]	Ship owner and provision of ship chartering services	Malaysia	100	100
Held by Ezion Investments Pte Ltd				
Other indirect significant subsidiaries:				
Teras Oranda Limited [2]	Ship owner, provision of ship chartering services and cargo transportation	British Virgin Islands	100	100
Teras BBC Houston (BVI) Limited [2]	Ship owner, provision of ship chartering services and cargo transportation	British Virgin Islands	100	100
Victory Drilling [4]	Ship owner and provision of ship chartering services	Mauritius	100	100
Jackup Drilling Limited [4]	Ship owner and provision of ship chartering services	Mauritius	100	100
Ezion Exerter Limited [4]	Ship owner and provision of ship chartering services	Mauritius	100	100
Teras Endeavour Limited [4]	Ship owner and provision of ship chartering services	Mauritius	100	100

5 SUBSIDIARIES (CONT'D)

NAME OF SIGNIFICANT SUBSIDIARY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	2017 %	2016 %
Held by Ezion Investments Pte Ltd (cont'd)				
Other indirect significant subsidiaries (cont'd):				
Teras Maritime Pty Ltd [5]	Ship owner and provision of ship chartering services	Australia	100	100
ES Indonesia Pte Ltd [1]	Investment holding	Singapore	100	100
Teras Cargo Logistics Limited [2]	Investment holding	British Virgin Islands	100	100
Held by Teras Conquest 3 Pte Ltd				
Other indirect significant subsidiary:				
Atlantic Labrador Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	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.

6 JOINT VENTURES

	GROUP 2017 US$'000	GROUP 2016 US$'000	COMPANY 2017 US$'000	COMPANY 2016 US$'000
Interests in joint ventures	42,400	94,298	16,021	15,943
Loans to joint ventures	55,720	77,286	50,876	36,289
	98,120	171,584	66,897	52,232

Except for amounts of US$16,614,000 (2016: US$48,996,000) which bear interest ranging of 5.06% to 8.00% per annum (2016: range from 4.55% to 8.00% per annum), the loans to joint ventures are interest-free. The loans to joint ventures are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investments in the joint ventures, they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

6 JOINT VENTURES (CONT'D)

The Group has four (2016: 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 is the Group's material joint venture:

	TERASEA PTE LTD ("TERASEA")	TERAS ATLAS LIMITED ("ATLAS")	TERAS ORIZONT LIMITED ("ORIZONT")	TERAS FORTUNA LIMITED ("FORTUNA")
Nature of relationship with the Group	Strategic partner principally engaged in investment holding / operation of offshore logistic support vessels' services			
Country of incorporation	Singapore	Labuan	Labuan	Labuan
Ownership interest	50% (2016: 50%)	50% (2016: -)	50% (2016: -)	50% (2016: -)

The material joint venture in 2016 was Strategic Offshore Limited ("SOL").

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

The following table summarises the financial information of the Group's material joint venture, based on its financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also includes summarised financial information for the Group's interest in immaterial joint ventures, based on the amounts reported in the Group's consolidated financial statements.

	TERASEA US$'000	ATLAS US$'000	ORIZONT US$'000	FORTUNA US$'000	TOTAL 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

6 JOINT VENTURES (CONT'D)

	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	73,556	946	–	–	–	19,796	94,298
Group's share of profit 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	(78,172)	–	6,791	6,791	4,590	–	(60,000)[1]
Carrying amount of interest in investee at end of the year	–	8,959	7,988	7,988	6,288	11,177	42,400

[1] This relates to the consideration recoverable from a joint venture partner for the sale of jack-up rigs (Note 8).

	SOL
	US$'000
2016	
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 expense	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

6 JOINT VENTURES (CONT'D)

	SOL US$'000	IMMATERIAL JOINT VENTURES US$'000	TOTAL US$'000
Group's interest in net assets of investee at beginning of the year	60,522	15,356	75,878
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	73,556	20,742	94,298

The joint ventures had no capital commitments and contingent liabilities as at 31 December 2017 and 31 December 2016.

Joint operations

The Group is 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.

7 ASSOCIATES

	GROUP		COMPANY	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Interests in associates	39,523	46,806	70,146	64,243
Impairment loss	–	–	(41,808)	(35,905)
	39,523	46,806	28,338	28,338
Loan to associate	41,294	31,995	41,168	31,815
	80,817	78,801	69,506	60,153

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

7 ASSOCIATES (CONT'D)

Details of the material associate are as follows:

	ALPHA ENERGY HOLDINGS LIMITED[1] ("ALPHA ENERGY")	AUSGROUP LIMITED ("AUSGROUP")	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 port and marine base in Australia	Strategic partner in ownership and management of energy assets
Country of incorporation	Singapore	Singapore	Singapore
Ownership interest	29.86% (2016: 29.86%)	18.13% (2016: 17.83%)	41.48%[2] (2016: 42.73%[2])
Fair value of ownership interest	US$4,045,000 (2016: US$2,932,000)	US$7,756,000 (2016: US$4,200,000)	US$20,863,000 (2016: US$23,137,000)

1 Audited by KPMG LLP, Singapore.

2 Voting rights held 21.36% (2016: 21.36%)

The Group has less than 20% ownership of the equity interests of AusGroup. However, the Group determined that it has significant influence because it has representation on the board of directors of AusGroup Limited.

During the year, the Group subscribed for:

- 140,766,195 new ordinary shares in the capital of AusGroup Limited ("AusGroup"), at an issue price of S$0.058 per share representing 10.3% of AusGroup's share capital. The consideration for the subscription shares amounted to US$5,903,000 were satisfied by capitalisation of Group's shareholder's loan to AusGroup.

In 2016, the Group subscribed for:

- 115,193,000 new ordinary shares in the capital of Charisma Energy Services Limited, by way of share options at an exercise price of S$0.002 per share and the consideration for the subscription shares of US$190,000 were satisfied by cash; and

- 321,000 new ordinary shares in the capital of Rotating Offshore Solutions Pte Ltd ("ROS"), at an issue price of S$56.00 per share representing 30% interest in ROS. The consideration for the subscription shares of US$12,801,000 were satisfied by shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

7 ASSOCIATES (CONT'D)

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 FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also includes summarised financial information for the Group's interest in immaterial associates, based on the amounts reported in the Group's consolidated financial statements.

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

	CHARISMA ENERGY SERVICES US$'000	ALPHA ENERGY US$'000	IMMATERIAL ASSOCIATES US$'000	TOTAL US$'000
2017				
Group's interest in net assets of investee at beginning of the year	23,017	11,628	12,161	46,806
Group's share of:				
- Loss from operations	(13,257)	(94)	(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	18,575	11,534	9,414	39,523

7 ASSOCIATES (CONT'D)

	CHARISMA ENERGY SERVICES US$'000	ALPHA ENERGY US$'000
2016		
Revenue	24,537	–
Profit/(Loss) from operations	1,234	(3,110)
Other comprehensive income	(292)	(3)
Total comprehensive income	942	(3,113)
Non-current assets	141,228	81,864
Current assets	11,845	2,636
Non-current liabilities	(48,856)	(547)
Current liabilities	(19,075)	(28,618)
Net assets	85,142	55,335

	CHARISMA ENERGY SERVICES US$'000	ALPHA ENERGY US$'000	IMMATERIAL ASSOCIATES US$'000	TOTAL US$'000
2016				
Group's interest in net assets of investee at beginning of the year	21,878	12,109	14,405	48,392
Group's share of:				
- profit/(loss) from operations	949	(929)	(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	23,017	11,628	12,161	46,806

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

8 OTHER ASSETS, INCLUDING DERIVATIVES

	GROUP		COMPANY	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Non-current				
Deposits to suppliers	4,170	2,700	–	–
Prepayments	98	110	98	110
Other receivables	67,500	–	–	–
Interest rate swaps used for hedging	3,749	2,131	3,749	2,131
	75,517	4,941	3,847	2,241
Current				
Available-for-sale equity security	–	48	–	–
Advances to suppliers	29,299	47,512	4	6
Deposits to suppliers	11,473	10,171	4,152	4,140
Prepayments	2,816	4,776	31	55
Non-trade amounts due from:				
- associates	912	926	912	926
- joint ventures and joint operations	84,772	74,398	2,768	425
Interest receivables	4,390	8,886	77,421	59,666
Other receivables	20,451	17,369	11,726	2,835
	154,113	164,086	97,014	68,053
Total	229,630	169,027	100,861	70,294

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

Included in other receivables are (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 within one year. In prior year, loan to investee company was interest-free, unsecured and settlement was neither planned nor likely to occur in foreseeable future. As the amount was in substance, a part of the Group's investment in an investee company, it was stated at cost.

Non-trade amounts due from associates, joint ventures and joint operations are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts 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.

There are no impairment losses arising from deposits to suppliers, non-trade amounts due from related parties, interest receivables and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

8 OTHER ASSETS, INCLUDING DERIVATIVES (CONT'D)

At 31 December 2017, the Group held interest rate swaps with a total notional amount of US$75,000,000 (2016: 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 3 years (2016: 1 to 4 years).

9 TRADE RECEIVABLES

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Trade amounts due from:				
- associates	12,941	12,725	–	–
- joint ventures	2,040	–	194	242
- subsidiaries	–	–	13,010	9,357
- third parties	251,690	241,164	–	–
	266,671	253,889	13,204	9,599
Impairment losses	(185,147)	(74,990)	(3,821)	–
Total trade receivables	81,524	178,899	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$3,821,000 (2016: US$nil) on outstanding trade balances due from subsidiaries. There are no impairment losses arising from outstanding trade balances due from the 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 risk for trade receivables are disclosed in note 31.

The maximum exposure to credit risk for trade receivables at the reporting date (by type of customer) was:

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Government related and multi-national entities	75,242	163,202	–	–
Small-medium enterprises	6,282	15,697	194	242
Subsidiaries	–	–	9,189	9,357
	81,524	178,899	9,383	9,599

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

9 TRADE RECEIVABLES (CONT'D)

Impairment losses

The ageing of trade receivables due from third parties, joint ventures and associates at the reporting date was:

	2017		2016	
	GROSS	IMPAIRMENT LOSSES	GROSS	IMPAIRMENT LOSSES
	US$'000	US$'000	US$'000	US$'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)

The Group manages inter-company balances centrally. Hence, receivables from subsidiaries are excluded for the Company.

The change in impairment loss in respect of trade receivables during the year was as follows:

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
At 1 January	74,990	49,771	–	–
Impairment loss	110,157	25,219	3,821	–
At 31 December	185,147	74,990	3,821	–

At 31 December 2017, an impairment loss of US$185,147,000 (2016: 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.

10 ASSETS HELD FOR SALE

As at 31 December 2017, the Group committed to a plan to sell two jack-up rigs. Accordingly, the net realisable value of the two jack-up rigs were presented as assets held for sale. The sale was completed in January 2018.

11 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Cash at bank and in hand	44,969	114,951	20,255	60,995
Fixed deposits	1,500	90,002	–	88,502
	46,469	204,953	20,255	149,497

Included in cash and cash equivalents an amount of US$42,182,000 (2016: US$89,530,000) being restricted / earmarked by the banks for various facilities granted.

The interest rates for cash at bank and fixed deposits for the Group and the Company range between 0.01% and 1.40% (2016: 0.50% and 2.03%) per annum.

12 SHARE CAPITAL

	GROUP AND COMPANY	
	2017 NO. OF SHARES '000	2016 NO. OF SHARES '000
At 1 January	2,077,027	1,580,941
Shares issued during the year	–	496,086
At 31 December	2,077,027	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.

Issuance of ordinary shares

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

For financial year ended 31 December 2016, the following shares were issued:

(i) 17,498,000 new ordinary shares issued at an issue price of US$0.73 (equivalent to S$1.03) per share, amounting to US$12,731,000 (equivalent to S$18,000,000) to acquire 30% interest in Rotary Offshore Solutions Pte Ltd;

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

12 SHARE CAPITAL (CONT'D)

Issuance of ordinary shares (cont'd)

(ii) 478,576,000 new ordinary shares ("right issues") issued at an issue price of US$0.21 (equivalent to S$0.29) per share amounting to US$101,866,000 (equivalent to S$137,265,000), pursuant to the renounceable underwritten rights issue undertaken by the Company on the basis of three Rights Shares for every ten existing ordinary shares of the Company; and

(iii) 12,000 new ordinary shares issued pursuant to the exercise of 12,000 warrants by various warrant holders.

Exercise of share option

There were no shares issued under the Company's Employee Share Option Scheme for both years ended 31 December 2017 and 31 December 2016.

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 notes payable less cash and cash equivalents. Total equity includes equity attributable to owners of the Company, perpetual securities, redeemable exchangeable preference shares, reserves and retained earnings.

	GROUP	
	2017	2016
	US$'000	US$'000
Financial liabilities	1,002,550	1,119,122
Notes payable	406,391	372,040
Less: Cash and cash equivalents	(46,469)	(204,953)
Net debt	1,362,472	1,286,209
Total equity	304,826	1,315,384
Gearing ratio (times)	4.47	0.98

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

12 SHARE CAPITAL (CONT'D)

Capital management (cont'd)

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$37,408 (2016: US$34,571), equivalent to S$50,000 (2016: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.

13 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.

These 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 perpetual securities amounted to US$881,000 (2016: US$881,000).

As at 31 December 2017, the Group has accrued perpetual securities distribution of approximately US$7,634,000 (2016: US$7,634,000).

14 REDEEMABLE EXCHANGEABLE PREFERENCE SHARES

	GROUP	
	2017	2016
	US$'000	US$'000
At 1 January and 31 December	23,464	23,464

14 REDEEMABLE EXCHANGEABLE PREFERENCE SHARES (CONT'D)

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 wand 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.

14 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 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 2017 and 31 December 2016, no REPS in Subsidiary was exchanged by the holders for shares in the Company.

15 RESERVES

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Treasury shares	(1,480)	(1,480)	(1,480)	(1,480)
Foreign currency translation reserve	(25,882)	(30,008)	–	–
Hedging reserve	951	(55)	951	(55)
Statutory reserve	–	(6)	–	(6)
	(26,411)	(31,549)	(529)	(1,541)

Treasury shares

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

As at 31 December 2017, the Group held 3,184,000 (2016: 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.

16 OTHER PAYABLES

	GROUP		COMPANY	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Non-current				
Other payables	15,000	15,000	–	–
Deposits received	11,355	18,961	–	–
Non-trade amounts due to subsidiaries	–	–	78,941	141,817
	26,355	33,961	78,941	141,817
Current				
Downpayments and advances from customers	15,955	10,000	1,700	1,200
Deferred revenue	7,950	8,134	–	–
Non-trade amounts due to:				
- joint ventures	3,971	–	3,777	–
- subsidiaries	–	–	271,679	94,554
Accrued interest payable	29,039	7,398	17,869	5,033
Accrued expenses	35,330	8,225	33,681	6,901
Employee benefits	96	167	54	111
Other payables	7,876	8,922	2,913	2,441
	100,217	42,846	331,673	110,240
Total	126,572	76,807	410,614	252,057

Non-current non-trade amounts due to subsidiaries are unsecured, interest-free and repayable in 2019 (2016: repayable in 2018).

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

17 NOTES PAYABLE

	MATURITY	GROUP 2017 US$'000	GROUP 2016 US$'000	COMPANY 2017 US$'000	COMPANY 2016 US$'000
Non-current					
SGD 60 million [(1)]	August 2018	–	41,319	–	41,319
SGD 50 million [(2)]	January 2019	37,408	34,463	37,408	34,463
SGD 110 million [(3)]	May 2019	82,298	75,562	82,298	75,562
SGD 55 million [(4)]	March 2020	41,149	37,839	41,149	37,839
SGD 150 million [(5)]	June 2021	111,851	101,191	111,851	101,191
SGD 120 million [(6)]	August 2020	88,795	81,666	88,795	81,666
		361,501	372,040	361,501	372,040
Current					
SGD 60 million [(1)]	August 2018	44,890	–	44,890	–
		44,890	–	44,890	–
Total notes payable		406,391	372,040	406,391	372,040

(1) The notes bear fixed interest rate of 4.60% (2016: 4.60%) per annum payable semi-annually, with fair value of approximately US$13,467,000 (2016: US$34,147,000) based on quoted market prices.

(2) The notes bear fixed interest rate of 4.85% (2016: 4.85%) per annum payable semi-annually, with fair value of approximately US$11,223,000 (2016: US$26,426,000) based on quoted market prices.

(3) The notes bear fixed interest rate of 4.70% (2016: 4.70%) per annum payable semi-annually, with fair value of approximately US$24,690,000 (2016: US$56,037,000) based on quoted market prices.

(4) The notes bear fixed interest rate of 5.10% (2016: 5.10%) per annum payable semi-annually, with fair value of approximately US$12,345,000 (2016: US$25,134,000) based on quoted market prices.

(5) The notes bear fixed interest rate of 4.875% (2016: 4.875%) per annum payable semi-annually, with fair value of approximately US$33,555,000 (2016: US$61,517,000) based on quoted market prices.

(6) The notes bear fixed interest rate of 3.65% (2016: 3.65%) per annum payable semi-annually, with fair value of approximately US$89,331,000 (2016: US$82,993,000) based on quoted market prices. Subsequent to year end, the notes were fully redeemed on 5 February 2018.

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

Please refer to note 32 for more details on the Group's Refinancing Exercise.

18 FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Non-current				
Unsecured bank loans	–	12,659	–	12,659
Secured bank loans	–	772,373	–	41,054
Finance lease liabilities	13	24	13	24
Financial guarantees	–	3,011	–	58,345
	13	788,067	13	112,082
Current				
Secured bank loans	944,596	228,406	44,458	–
Unsecured bank loans	53,231	100,941	53,231	100,941
Finance lease liabilities	14	23	14	23
Financial guarantees	4,696	1,685	80,291	21,948
	1,002,537	331,055	177,994	122,912
Total financial liabilities	1,002,550	1,119,122	178,007	234,994

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 vessels, rigs and assets under construction with a carrying amount of US$1,367,835,000 (2016: US$1,926,099,000).

Reclassification of non-current financial liabilities to current liabilities

During the fourth quarter of 2017, the Group defaulted on its bank loans. Consequently, bank loans of US$637,588,000 were classified to current liabilities as at 31 December 2017 due to the default. The affected bank loans can 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 is undergoing the Refinancing Exercise.

The Group has completed its Refinancing Exercise subsequent to year end.

Please refer to note 32 for more details of the Group's Refinancing Exercise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

18 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	CARRYING AMOUNT 2017*	CARRYING AMOUNT 2016
	%		US$'000	US$'000
Group				
USD secured floating rate loans	1.88 – 9.50	2018	900,138	959,725
SGD secured floating rate loan	3.54 – 4.00	2018	44,458	41,054
USD unsecured floating rate loans	2.36 – 7.94	2018	53,231	113,600
SGD finance lease liabilities	2.28	2019	27	47
			997,854	1,114,426
Company				
SGD secured floating rate loan	3.54 – 4.00	2018	44,458	41,054
USD unsecured floating rate loans	2.36 – 7.94	2018	53,231	113,600
SGD finance lease liabilities	2.28	2019	27	47
			97,716	154,701

* Prior to the completion of Refinancing Exercise, please refer to note 32 for more of the Group's Refinancing Exercise.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2017 PRINCIPAL	2017 INTEREST	2017 FUTURE MINIMUM LEASE PAYMENTS	2016 PRINCIPAL	2016 INTEREST	2016 FUTURE MINIMUM LEASE PAYMENTS
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group and Company						
Within 1 year	13	1	14	23	1	24
After 1 year but within 5 years	13	–	13	24	1	25
Total	26	1	27	47	2	49

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

18 FINANCIAL LIABILITIES (CONT'D)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

		CASH FLOWS			
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	WITHIN 1 YEAR	WITHIN 2 TO 5 YEARS	AFTER 5 YEARS
	US$'000	US$'000	US$'000	US$'000	US$'000
Group					
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)	–	–
Notes payable[3]	406,391	(420,377)	(63,672)	(356,705)	–
Finance lease liabilities	27	(27)	(15)	(12)	–
Financial guarantees[1]	4,696	(113,409)	(113,409)	–	–
Trade payables	89,057	(89,057)	(89,057)	–	–
Other payables[2]	102,667	(102,667)	(76,312)	(26,355)	–
	1,600,665	(1,818,158)	(1,435,086)	(383,072)	–
2016					
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)	–
Notes payable[3]	372,040	(432,353)	(17,405)	(414,948)	–
Finance lease liabilities	47	(49)	(24)	(25)	–
Financial guarantees[1]	4,696	(164,146)	(164,146)	–	–
Trade payables	112,074	(112,074)	(112,074)	–	–
Other payables[2]	58,673	(58,673)	(24,712)	(33,961)	–
	1,661,909	(1,979,448)	(709,877)	(1,238,612)	(30,959)

18 FINANCIAL LIABILITIES (CONT'D)

		CASH FLOWS			
	CARRYING AMOUNT US$'000	CONTRACTUAL CASH FLOWS US$'000	WITHIN 1 YEAR US$'000	WITHIN 2 TO 5 YEARS US$'000	AFTER 5 YEARS US$'000
Company					
2017					
Non-derivative financial liabilities					
Secured bank loans	44,458	(48,682)	(48,682)	–	–
Unsecured bank loans	53,231	(58,288)	(58,288)	–	–
Notes payable[3]	406,391	(420,377)	(63,672)	(356,705)	–
Finance lease liabilities	27	(27)	(15)	(12)	–
Financial guarantees[1]	80,291	(1,013,547)	(1,013,547)	–	–
Trade payables	102	(102)	(102)	–	–
Other payables[2]	408,914	(408,914)	(329,973)	(78,941)	–
	993,414	(1,949,937)	(1,514,279)	(435,658)	–
2016					
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)	–
Notes payable	372,040	(432,353)	(17,405)	(414,948)	–
Finance lease liabilities	47	(49)	(24)	(25)	–
Financial guarantees[1]	80,293	(1,215,856)	(1,215,856)	–	–
Trade payables	198	(198)	(198)	–	–
Other payables[2]	250,857	(250,857)	(109,040)	(141,817)	–
	858,089	(2,059,756)	(1,448,357)	(611,399)	–

(1) At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the financial guarantees granted to the subsidiaries and joint ventures.

(2) Excludes downpayments and advances from customers, interest rate swaps used for hedging and deferred revenue.

(3) As at 31 December 2017, the Group and the Company have obtained waivers for financial covenants in relation to the notes in the Consent Solicitation Exercise held on 20 November 2017.

18 FINANCIAL LIABILITIES (CONT'D)

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

	LIABILITIES		EQUITY	
	ACCRUED INTEREST PAYABLE US$'000	FINANCIAL LIABILITIES US$'000	RETAINED EARNINGS US$'000	TOTAL US$'000
Balance at 1 January 2017	7,398	1,119,122	558,030	1,684,550
Changes from financing cash flows				
Proceeds from borrowings	–	39,862	–	39,862
Repayment of borrowings	–	(156,067)	–	(156,067)
Interest paid	(29,224)	–	(7,634)	(36,858)
Total changes from financing cash flows	(29,224)	(116,205)	(7,634)	(153,063)
The effect of changes in foreign exchange rates	260	(367)	–	(107)
Liability related other changes				
Interest expenses capitalised at cost	14,059	–	–	14,059
Interest expenses	36,546	–	–	36,546
Total liability-related other changes	50,605	–	–	50,605
Total equity-related other changes	–	–	(1,008,062)	(1,008,062)
Balance at 31 December 2017	29,039	1,002,550	(457,666)	573,923

19 TRADE PAYABLES

	GROUP		COMPANY	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Trade amounts due to:				
- associates	516	480	–	–
- joint ventures	–	19,281	–	–
- third parties	88,541	92,313	102	198
	89,057	112,074	102	198

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

20 SHARE-BASED PAYMENTS

At 31 December 2017, 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.
- 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.
- 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.

20 SHARE-BASED PAYMENTS (CONT'D)

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

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

- 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

  (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.

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Year ended 31 December 2017

20 SHARE-BASED PAYMENTS (CONT'D)

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

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

  (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.

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Year ended 31 December 2017

20 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 unissued ordinary shares of the Company are as follows:

DATE OF GRANT OF OPTIONS	EXERCISE PRICES PER SHARE	OPTIONS OUTSTANDING AT 1 JANUARY 2017 AND 31 DECEMBER 2017	NUMBER OF OPTION HOLDERS AT 31 DECEMBER 2017	EXERCISE PERIOD
		'000		
11/10/2011	S$0.259	2,245	1	11/10/2012 to 11/10/2021
7/6/2012	S$0.462	1,828	8	7/6/2013 to 7/6/2022
21/1/2013	S$0.973	7,682	34	21/1/2015 to 21/1/2023
16/1/2015	S$1.011	11,700	52	16/1/2017 to 16/1/2025
9/3/2016	S$0.489	7,140	62	9/3/2018 to 9/3/2026
		30,595		

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.

20 SHARE-BASED PAYMENTS (CONT'D)

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

Options granted at 11 October 2011

	AT 11 OCTOBER 2011		
	TRANCHE A	TRANCHE B	TRANCHE C
Fair value (S$)	0.077	0.091	0.159
Share price (S$)	0.45	0.45	0.45
Exercise price (S$)	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 (S$)	0.16	0.174	0.224
Share price (S$)	0.78	0.78	0.78
Exercise price (S$)	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

Options granted at 21 January 2013

	AT 21 JANUARY 2013		
	TRANCHE A	TRANCHE B	TRANCHE C
Fair value (S$)	0.473	0.530	0.758
Share price (S$)	1.76	1.76	1.76
Exercise price (S$)	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

20 SHARE-BASED PAYMENTS (CONT'D)

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

Options granted at 16 January 2015

	AT 16 JANUARY 2015		
	TRANCHE A	TRANCHE B	TRANCHE C
Fair value (S$)	0.267	0.337	0.396
Share price (S$)	1.155	1.155	1.155
Exercise price (S$)	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

Options granted at 9 March 2016

	AT 9 MARCH 2016		
	TRANCHE A	TRANCHE B	TRANCHE C
Fair value (S$)	0.220	0.234	0.258
Share price (S$)	0.630	0.630	0.630
Exercise price (S$)	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

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.

20 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 2017 S$	NUMBER OF OPTIONS 2017 '000	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE 2016 S$	NUMBER OF OPTIONS 2016 '000
Outstanding at 1 January	0.83	30,595	0.89	22,599
Granted during the year	–	–	0.53	8,356
Cancelled during the year	–	–	0.99	(360)
Outstanding at 31 December	0.83	30,595	0.83	30,595
Exercisable at 31 December	0.82	15,265	0.79	7,865

The options outstanding at 31 December 2017 have an exercise price in the range of S$0.26 to S$1.01 (2016: S$0.26 to S$1.01) and the weighted average contractual life of 5.7 years (2016: 6.7 years).

Employee expenses

	GROUP	
	2017 US$'000	2016 US$'000
Ezion Employee Share Option Scheme	1,325	1,968
Total expenses recognised as share-based payments	1,325	1,968

21 REVENUE

	GROUP	
	2017 US$'000	2016 US$'000
Chartering and offshore support services income	185,531	316,046
Others	7,577	2,199
	193,108	318,245

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Year ended 31 December 2017

22 NET FINANCE COSTS

	GROUP 2017 US$'000	GROUP 2016 US$'000
Interest income:		
- banks	593	1,801
- related corporations	3,411	2,590
- others	509	304
Finance income	4,513	4,695
Interest expense:		
- banks	(36,546)	(32,512)
Finance costs	(36,546)	(32,512)
Net finance costs recognised in profit or loss	(32,033)	(27,817)

23 LOSS BEFORE INCOME TAX

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

	NOTE	GROUP 2017 US$'000	GROUP 2016 US$'000
Foreign exchange loss/(gain), net		31,617	(8,144)
(Gain)/Loss on disposal of:			
- plant and equipment		(86)	5,116
- assets held for sale		–	(26,251)
- subsidiaries	26	(9,554)	–
Depreciation expense on plant and equipment	4	142,051	150,612
Impairment losses on:			
- plant and equipment	4	697,322	45,647
- trade receivables	9	110,157	25,219
Write-off of loans to joint venture		32,704	–
Write-off of trade and other receivables		56,715	–
Audit fees paid/payable to auditors of the Company		375	402
Non-audit fees paid/payable to auditors of the Company		15	15
Operating lease expense		987	41,972
Staff costs		8,387	8,607
Contributions to defined contribution plans, included in staff costs		697	805
Equity-settled share-based payment transactions, included in staff costs	20	1,325	1,968

Staff costs include key management personnel compensation and key executives compensation as disclosed in note 29.

24 INCOME TAX EXPENSE

	GROUP 2017 US$'000	GROUP 2016 US$'000
Current tax expense		
Current year	19	17
Overprovision in respect of prior years	(79)	(233)
Foreign tax expense	2,952	3,347
	2,892	3,131
Deferred tax expense		
Origination and reversal of temporary differences	–	(449)
Total tax expense	2,892	2,682

	GROUP 2017 US$'000	GROUP 2016 US$'000
Reconciliation of effective tax rate		
Loss before income tax	(1,014,710)	(30,924)
Share of results of joint ventures and associates (net of tax)	16,187	2,041
Loss before income tax excluding share of results of joint ventures and associates	(998,523)	(28,883)
Tax calculated using Singapore tax rate of 17% (2016: 17%)	(169,749)	(4,910)
Effect of tax rates in foreign jurisdictions	3,805	(3,201)
Income not subject to tax	(6,241)	(23,617)
Net tax exempt income under Section 13A of Income Tax Act	(6,558)	(6,229)
Non-deductible expenses	176,336	36,072
Foreign tax expense	2,952	3,347
Overprovision in respect of prior years	(79)	(233)
Current year losses for which no deferred tax asset was recognised	2,393	1,767
Others	33	(314)
	2,892	2,682

For the financial years ended 31 December 2017 and 31 December 2016, the effective applicable tax rate is lower than 17% as no provision is made for taxation for certain income in view of the exempt profits earned by the Group under Section 13A of the Income Tax Act during the year.

The Group has unrecognised deferred tax assets in respect of tax losses of US$8,851,000 (2016: US$7,837,000) at the balance sheet 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 2017

25 LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended 31 December 2017 was based on:

	GROUP	
	2017 US$'000	2016 US$'000
Loss attributable to owners of the Company	(1,017,602)	(33,606)
Less:		
Accrued perpetual securities distributions	(7,634)	(7,634)
Loss attributable to owners after adjustments of accrued perpetual securities distributions	(1,025,236)	(41,240)

Weighted average number of ordinary shares

	2017 US$'000	2016 US$'000
Issued ordinary shares at 1 January, excluding treasury shares	2,073,843	1,577,757
Effect of issue of new ordinary shares	–	211,995
Weighted average number of ordinary shares during the year	2,073,843	1,789,752

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 2017, the share options and redeemable exchangeable preference shares were not included in the computation of diluted loss per share because these potential ordinary shares would have been anti-dilutive.

26 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$10,000,000.

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 would then be classified as the joint venture companies of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

26 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 is included in, and presented as part of the "Other income" on the Consolidated Income Statements.

27 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 3(o).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's key management. 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 2017

27 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 2017					
Revenue	95,969	76,238	20,359	542	193,108
Reportable segment results from operating activities	67,566	59,917	15,830	542	143,855
Depreciation expense	(30,578)	(94,836)	(16,637)	–	(142,051)
Impairment loss on plant and equipment	–	(558,004)	(139,318)	–	(697,322)
Writeoff/Impairment loss on trade and other receivables and loans to joint venture	(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 income tax					(1,014,710)
Income tax expense					(2,892)
Loss for the year					(1,017,602)
Reportable segment assets	781,128	612,864	292,834	–	1,686,826
Investment in joint ventures and associates	21,592	37,943	38,585	80,817	178,937
Unallocated assets					69,997
Total assets					1,935,760
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

27 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 2016					
Revenue	126,917	157,484	33,336	508	318,245
Reportable segment results from operating activities	77,302	112,372	21,676	508	211,858
Depreciation expense	(31,928)	(101,192)	(17,492)	–	(150,612)
Impairment loss on plant and equipment	–	(34,170)	(11,477)	–	(45,647)
Impairment loss on trade receivables	(4,338)	(18,278)	(2,603)	–	(25,219)
Other income	32,254	–	–	–	32,254
Share of results of joint ventures and associates, net of tax	6	15,673	(2,502)	(15,218)	(2,041)
Finance income	1,469	2,285	941	–	4,695
Finance expense	(13,171)	(15,466)	(3,875)	–	(32,512)
Unallocated expenses					(23,700)
Loss before income tax					(30,924)
Income tax expense					(2,682)
Loss for the year					(33,606)
Reportable segment assets	837,919	1,350,257	398,479	–	2,586,655
Investment in joint ventures and associates	4,497	132,957	34,130	78,801	250,385
Unallocated assets					164,670
					3,001,710
Reportable segment liabilities	597,397	823,848	227,306	–	1,648,551
Unallocated liabilities					37,775
Total liabilities					1,686,326
Capital expenditure	80,752	28,275	9,416	–	118,443
Unallocated capital expenditure					133
Total capital expenditure					118,576

27 OPERATING SEGMENTS (CONT'D)

Geographical segments

The businesses of the Group are operated in five principal geographical areas, namely, Singapore, India, Middle East, rest of Asia, Europe 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]	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Singapore	11,472	50,000	697,055	1,161,809
India	26,684	48,501	–	–
Middle East	63,243	95,112	–	–
Rest of Asia	73,699	77,736	386,230	556,306
Europe	13,633	30,393	229,055	384,579
Other countries	4,377	16,503	77,510	95,752
	193,108	318,245	1,389,850	2,198,446

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

Major customers

During the financial year ended 31 December 2017, the Group had two (2016: two) customers in the Group's jack-up rigs segments that contributed 10% or more of the Group's total revenue. Revenue from these customers amounted to US$56,613,000 (2016: US$79,779,000).

28 COMMITMENTS

(a) Capital commitments

	GROUP	
	2017 US$'000	2016 US$'000
Contracted but not provided for:		
Within 1 year	58,700	190,875
After 1 year but within 5 years	250,000	250,000
	308,700	440,875

28 COMMITMENTS (CONT'D)

(a) Capital commitments (cont'd)

Of the US$250,000,000 that is expected to be incurred after 1 year, the Group has postponed the delivery of its two contractual commitments amounting to US$186,000,000 (2016: US$186,000,000) to mutually agreed dates with the ship builders.

The Group has obtained in-principle approvals from its major lenders for the financing of US$50,300,000 (2016: US$176,880,000) for vessels with expected delivery in 2018 (2016: expected delivery in 2017 and 2018).

(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	
	2017 US$'000	2016 US$'000
Within 1 year	22,234	38,935
After 1 year but within 5 years	59,392	85,610
	81,626	124,545

Operating lease expense commitments at the reporting date represents rentals payable by the Group for its vessel charters and office space. The leases from vessel charter and office rental are for a period ranging from 1 to 2.7 years (2006: 1 to 3 years) from 1 January 2018 to 15 September 2020 (2016: 1 January 2017 to 31 December 2020).

(c) Operating lease income commitments (as lessor)

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

	GROUP	
	2017 US$'000	2016 US$'000
Within 1 year	216,022	307,828
After 1 year but within 5 years	512,787	993,034
After 5 years	40,455	150,418
	769,264	1,451,280

28 COMMITMENTS (CONT'D)

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

Operating lease income commitments represents rentals receivable from customers on the Group's vessels 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$nil (2016: US$2,000,000), US$166,763,000 (2016: US$242,127,000) and US$40,455,000 (2016: US$75,209,000) respectively.

29 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	
	2017 US$'000	2016 US$'000
Short-term employee benefits	2,179	3,498
Share-based payments	785	1,010

Other related party transactions

	GROUP	
	2017 US$'000	2016 US$'000
Transactions with joint ventures		
Interest income received and receivable	1,904	2,424
Offshore logistic support vessels, liftboats and rigs' services costs paid and payable	–	(19,436)
Management fee income from joint ventures	251	206
Transactions with associates		
Interest income received and receivable	1,119	–
Management fee income from associates	291	302

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30 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.

For the purposes of impairment assessment of vessels, each vessel is a separate CGU. A total of 64 (2016: 67) CGUs have been identified. Management assessed the recoverable amounts of the vessels based on their value in use if any indicators of impairment existed.

The recoverable amounts of the CGUs were determined based on value in use calculations.

In 2017, due to the continuing challenging conditions, the Group re-computed the recoverable amounts of the vessels and rigs. As a result, the Group recognised additional impairment losses of US$697,322,000 (2016: US$45,647,000) for the year. The impairment losses were included in 'other operating expenses' in the Group's income statement.

Impairment of trade receivables

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful receivables is the Group's best estimate of the amount of probable credit losses in the Group's existing trade receivables.

30 ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

Impairment of trade receivables (cont'd)

Management uses judgment to determine the allowance for doubtful receivables which are supported by historical write-off, credit history of the customers and repayment records. The Group reviews its allowance for doubtful receivables monthly. Balances which are past due for more than 120 days are reviewed individually for collectability. Accounts balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Actual results could differ from estimates.

31 FINANCIAL RISK MANAGEMENT

Overview

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 payables are directly from its operations.

Credit risk

The Group's maximum exposure to credit risk are carrying amounts of amounts due from joint ventures, other assets, trade receivables, and cash and cash equivalents.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Therefore, the Group does not expect to incur material credit losses. Cash and cash equivalents are placed with regulated financial institutions. Hence, minimal credit risk exists with respect to these assets.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

31 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

The allowance account in respect of trade receivables is used to record impairment losses unless 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.

The Group has six (2016: six) third party trade receivables which accounts for approximately 67% (2016: 60%) of the total trade receivables as at 31 December 2017 and 31 December 2016. The remaining third party trade receivables are individually insignificant.

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.

Financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities of its subsidiaries and joint ventures. At the reporting date, the maximum exposure of the Group and of the Company in respect of financial guarantees amounted to US$261,356,000 (2016: US$153,999,000) and US$966,758,000 (2016: US$1,157,451,000) respectively.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the financial guarantees granted to the subsidiaries and joint ventures.

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.

31 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

As at 31 December 2017, the Group's current liabilities exceed current assets by US$951,609,000. The Group's net current liability position is due the non-repayment of bank borrowings while the Group was undergoing restructuring under a refinancing exercise. As at the date of financial statements, the Group has successfully concluded its refinancing exercise following the approval by its shareholders during the extraordinary general meeting held on 28 March 2018. With the completion of the refinancing exercise, the Group's net current liabilities position will improve to net current assets position. Based on the above, the Group is satisfied that it is able to meet its obligations as and when they fall due within the next 12 months. The details of the refinancing exercise are further disclosed in Note 32 to the financial statements.

As at 31 December 2017, the Group has contractual capital commitments of US$308,700,000, of which US$58,700,000 is due within the next twelve months. The Group has obtained in-principle approvals from its major lenders for the financing of US$50,300,000 for vessels with expected delivery in 2018. As at 31 December 2017, the Group has cash and cash equivalents amounting to US$46,469,000 (2016: US$204,953,000). As at 31 December 2017, the Group has undrawn banking facilities amounting to US$4,400,000 (2016: US$35,499,000).

The Group believes that the repayment of its present and future obligations will occur as required and is confident that the cash flows generated from the Group's operating activities and continuing credit facilities being made available to the Group will be sufficient to meet the repayment requirements.

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 optimizing 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 2017, the Group has interest rate swaps with total notional contract amount of US$75,000,000 (2016: 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 2017, the Group has fixed deposits account with fixed interest rates according to market rates in regulated banks.

31 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

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	
	2017 US$'000	2016 US$'000
Interest rate swaps	75,000	225,000

	GROUP		COMPANY	
	CARRYING AMOUNT		CARRYING AMOUNT	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
USD secured floating rate loans	(900,138)	(959,725)	–	–
SGD secured floating rate loan	(44,458)	(41,054)	(44,458)	(41,054)
USD unsecured floating rate loans	(53,231)	(113,600)	(53,231)	(113,600)
	(997,827)	(1,114,379)	(97,689)	(154,654)

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

31 FINANCIAL RISK MANAGEMENT (CONT'D)

Variable rate instruments (cont'd)

	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 2017				
Interest-bearing loans	(9,978)	9,978	–	–
Interest rate swaps	750	(750)	1,313	(1,313)
31 December 2016				
Interest-bearing loans	(11,144)	11,144	–	–
Interest rate swaps	1,600	(1,600)	2,913	(2,913)
Company				
31 December 2017				
Interest-bearing loans	(977)	977	–	–
Interest rate swaps	750	(750)	1,313	(1,313)
31 December 2016				
Interest-bearing loans	(1,547)	1,547	–	–
Interest rate swaps	1,600	(1,600)	2,913	(2,913)

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 are primarily US dollar ("USD"), Singapore dollar ("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.

31 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

The Group's and the Company's exposures to foreign currencies are as follows:

	USD US$'000	SGD US$'000	AUD US$'000	OTHERS US$'000	TOTAL US$'000
Group					
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)
Notes payable	–	(406,391)	–	–	(406,391)
	1,047	(475,618)	302	(1,577)	(475,846)
31 December 2016					
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)
Notes payable	–	(372,040)	–	–	(372,040)
	1,685	(290,096)	188	(334)	(288,557)

	SGD US$'000	AUD US$'000	OTHERS US$'000	TOTAL US$'000
Company				
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)
Notes payable	(406,391)	–	–	(406,391)
	(460,848)	736	92	(460,020)
31 December 2016				
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)
Notes payable	(372,040)	–	–	(372,040)
	(284,010)	673	(3)	(283,340)

31 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of US dollar against the following currencies at the reporting date would increase/(decrease) equity and profit before tax by the pre-tax amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	GROUP	COMPANY
	PROFIT BEFORE TAX US$'000	PROFIT BEFORE TAX US$'000
31 December 2017		
US dollar	(105)	–
Singapore dollar	47,562	46,085
Australian dollar	(30)	(74)
Others	158	(9)
31 December 2016		
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 and the Company's financial instruments other than interest rate swaps used for hedging are carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 31 December 2016 due to their short-term nature and immaterial effects of discounting.

31 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category

Set out below is a comparison by category of carrying amounts of all the Group's and Company's financial instruments that are carried in the financial statements:

	NOTE	FAIR VALUE-HEDGING INSTRUMENTS US$'000	LOANS AND RECEIVABLES US$'000	OTHER FINANCIAL LIABILITIES WITHIN SCOPE OF FRS 39 US$'000	OTHER FINANCIAL LIABILITIES OUTSIDE SCOPE OF FRS 39 US$'000	TOTAL CARRYING AMOUNT US$'000	FAIR VALUE US$'000
Group							
31 December 2017							
Financial assets not measured at fair value							
Other assets[1]	8	–	193,668	–	–	193,668	193,668
Trade receivables	9	–	81,524	–	–	81,524	81,524
Cash and cash equivalents	11	–	46,469	–	–	46,469	46,469
Financial asset measured at fair value							
Interest rate swaps used for hedging	8	3,749	–	–	–	3,749	3,749
Financial liabilities not measured at fair value							
Other payables[2]	16	–	–	(102,667)	–	(102,667)	(102,667)
Trade payables	19	–	–	(89,057)	–	(89,057)	(89,057)
Financial liabilities[3]	18	–	–	(1,002,523)	–	(1,002,523)	(1,002,523)
Financial lease liabilities	18	–	–	–	(27)	(27)	(27)
Notes payable	17	–	–	(406,391)	–	(406,391)	(184,611)

31 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 WITHIN SCOPE OF FRS 39 US$'000	OTHER FINANCIAL LIABILITIES OUTSIDE SCOPE OF FRS 39 US$'000	TOTAL CARRYING AMOUNT US$'000	FAIR VALUE US$'000
Group							
31 December 2016							
Financial assets not measured at fair value							
Other assets[1]	8	–	114,450	–	–	114,450	114,450
Trade receivables	9	–	178,899	–	–	178,899	178,899
Cash and cash equivalents	11	–	204,953	–	–	204,953	204,953
Financial asset measured at fair value							
Interest rate swaps used for hedging	8	2,131	–	–	–	2,131	2,131
Financial liabilities not measured at fair value							
Other payables[2]	16	–	–	(43,744)	–	(43,744)	(43,744)
Trade payables	19	–	–	(112,074)	–	(112,074)	(112,074)
Financial liabilities[3]	18	–	–	(1,119,075)	–	(1,119,075)	(1,119,075)
Financial lease liabilities	18	–	–	–	(47)	(47)	(47)
Notes payable	17	–	–	(372,040)	–	(372,040)	(252,107)

31 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 WITHIN SCOPE OF FRS 39 US$'000	OTHER FINANCIAL LIABILITIES OUTSIDE SCOPE OF FRS 39 US$'000	TOTAL CARRYING AMOUNT US$'000	FAIR VALUE US$'000
Company							
31 December 2017							
Financial assets not measured at fair value							
Other assets[1]	8	–	96,979	–	–	96,979	96,979
Trade receivables	9	–	9,383	–	–	9,383	9,383
Cash and cash equivalents	11	–	20,255	–	–	20,255	20,255
Financial asset measured at fair value							
Interest rate swaps used for hedging	8	3,749	–	–	–	3,749	3,749
Financial liabilities not measured at fair value							
Other payables[2]	16	–	–	(408,914)	–	(408,914)	(408,914)
Trade payables	19	–	–	(102)	–	(102)	(102)
Financial liabilities[3]	18	–	–	(177,980)	–	(177,980)	(177,980)
Financial lease liabilities	18	–	–	–	(27)	(27)	(27)
Notes payable	17	–	–	(406,391)	–	(406,391)	(184,611)

31 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 WITHIN SCOPE OF FRS 39 US$'000	OTHER FINANCIAL LIABILITIES OUTSIDE SCOPE OF FRS 39 US$'000	TOTAL CARRYING AMOUNT US$'000	FAIR VALUE US$'000
Company							
31 December 2016							
Financial assets not measured at fair value							
Other assets[(1)]	8	–	67,922	–	–	67,922	67,922
Trade receivables	9	–	9,599	–	–	9,599	9,599
Cash and cash equivalents	11	–	149,497	–	–	149,497	149,497
Financial asset measured at fair value							
Interest rate swaps used for hedging	8	2,131	–	–	–	2,131	2,131
Financial liabilities not measured at fair value							
Other payables[(2)]	16	–	–	(180,702)	–	(180,702)	(180,702)
Trade payables	19	–	–	(198)	–	(198)	(198)
Financial liabilities[(3)]	18	–	–	(234,947)	–	(234,947)	(234,947)
Financial lease liabilities	18	–	–	–	(47)	(47)	(47)
Notes payable	17	–	–	(372,040)	–	(372,040)	(252,107)

(1) Excludes advances to suppliers, prepayments, interest rate swaps used for hedging and available-for-sale equity securities.

(2) Excludes downpayments and advances from customers and deferred revenue.

(3) Excludes financial lease liabilities.

31 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within 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: unobservable inputs for the asset or liability.

Financial assets and financial liabilities carried at fair value

	NOTE	LEVEL 1 US$'000	LEVEL 2 US$'000	LEVEL 3 US$'000	TOTAL US$'000
Group					
31 December 2017					
Assets					
Interest rate swaps used for hedging	8	–	3,749	–	3,749
31 December 2016					
Assets					
Interest rate swaps used for hedging	8	–	2,131	–	2,131
Company					
31 December 2017					
Assets					
Interest rate swaps used for hedging	8	–	3,749	–	3,749
31 December 2016					
Assets					
Interest rate swaps used for hedging	8	–	2,131	–	2,131

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Year ended 31 December 2017

31 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial assets and financial liabilities not carried 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				
31 December 2017				
Liabilities				
Notes payable	(184,611)	–	–	(184,611)
31 December 2016				
Liabilities				
Notes payable	(252,107)	–	–	(252,107)
Company				
31 December 2017				
Liabilities				
Notes payable	(184,611)	–	–	(184,611)
31 December 2016				
Liabilities				
Notes payable	(252,107)	–	–	(252,107)

* 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 immaterial.

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values.

Financial instruments measured at fair value

TYPE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVED INPUT	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVED INPUTS AND FAIR VALUE MEASUREMENTS
Group and Company			
Interest rate swaps used for hedging	Market comparison technique: The fair values are based on bank quotes.	Not applicable	Not applicable

32 SUBSEQUENT EVENTS

Refinancing Exercise

At an Extraordinary General Meeting ("EGM") held on 28 March 2018, the shareholders of the Company approved the debt refinancing exercise ("Refinancing Exercise"). The Refinancing Exercise comprises:

a) Note Series 003, 004, 005, 006, and 007 ("notes") totalled US$317,596,000 as at 31 December 2017. These noteholders are given the option to convert their existing securities to either Series A non-convertible bonds which are due in 2024 or Series B convertible bonds which are due in 2023. Based on the offer terms as set out for Series B, the holders of the convertible bonds are able to convert at a price of S$0.2487 (for conversion within 60 days of issuance) and S$0.2763 (for conversion after 60 days of issuance). For holders of Series B, bonus warrants at an exercise price of S$0.2763 will be issued if the bonds are converted in tranches of S$50,000. Both options offer a coupon rate of 0.25% per annum, paid semi-annually.

   The noteholder of Series 008 amounted to US$116,499,000 as at 31 December 2017, have the option to either elect for Series C non-convertible bonds which will be due in 2027 or amended Series 008 which allows conversion into the Company's shares. Conversion price are set at convert at a price of S$0.2487 (for conversion within 60 days of issuance) and S$0.2763 (for conversion after 60 days of issuance).

b) A refinancing package from the secured lenders of approximately US$1.5 billion, which include minimal fixed principal repayments over the next six years and decreased interest rates for these loan facilities. In addition to the refinancing package offered, an aggregate amount of up to US$118,000,000 in revolving credit facilities is granted to the Company.

Details of the issuance of warrants, non-convertible bonds, new shares in conjunction with the convertible bonds, new shares for payment of professional fees, new shares to a new investor can be obtained from the circular released on 12 March 2018 and 6 April 2018 under SGX-ST. The financial impact of the Refinancing Exercise will be assessed and released together with the first quarter announcement of 2018 in May 2018.

Mandatory redemption of Series 009 S$120,000,000 3.65 per cent notes due 2020

On 5 February 2018, the Group fully redeemed the Note Series 009 S$120,000,000 3.65 per cent notes due 2020.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 SUBSEQUENT EVENTS (CONT'D)

Proposed issuance of new ordinary shares and proposed grant of options to subscribe for new ordinary shares in the Company's capital

On 5 April 2018, the Company had entered into a subscription and option agreement with Pavilion Capital Fund Holdings Pte. Ltd. in relation to:

(a) the proposed allotment of the Company's 96,153,000 new ordinary shares at an issue price of S$0.208 per subscription share; and

(b) the proposed grant of Company's 137,614,000 non-listed and non-transferable share options for S$1.00, with each option carrying the right to subscribe for one new ordinary share at the exercise price of S$0.218 per option share.

The Group will raise gross proceeds of up to S$50,000,000 from the above allotment of subscription share and option, which will be used mainly for business expansion and general working capital.

Resumption of shares trading on Singapore Exchange

With the successful completion of the Refinancing Exercise, SGX-ST has informed the Company that it has no objections to the Company's application to resume trading of the shares on the Singapore Exchange in the middle of April 2018.

SHAREHOLDERS' INFORMATION

As at 23 March 2018

GENERAL INFORMATION ON SHARE CAPITAL

Total no. of issued shares	:	2,073,843,405 (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	:	0.15% 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	86	0.52	3,423	0.00
100 – 1,000	485	2.97	312,980	0.02
1,001 - 10,000	5,426	33.18	32,835,548	1.58
10,001 - 1,000,000	10,285	62.90	600,047,686	28.89
1,000,001 and above	70	0.43	1,443,827,768	69.51
	16,352	100.00	2,077,027,405	100.00

TOP 20 SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	% **
1	DBS Nominees Pte Ltd	332,980,126	16.06
2	Citibank Nominees Singapore Pte Ltd	299,416,387	14.44
3	Raffles Nominees (Pte) Ltd	129,758,101	6.26
4	HSBC (Singapore) Nominees Pte Ltd	111,148,846	5.36
5	United Overseas Bank Nominees Pte Ltd	67,536,887	3.26
6	CGS-CIMB Securities (S) Pte Ltd	56,906,036	2.74
7	BNP Paribas Nominees Singapore Pte Ltd	46,216,000	2.23
8	OCBC Securities Private Ltd	31,716,713	1.53
9	Maybank Kim Eng Securities (S) Pte Ltd	29,689,182	1.43
10	Morgan Stanley Asia (S) Securities Pte Ltd	29,655,891	1.43
11	Chew Thiam Keng	25,309,440	1.22
12	Evia Growth Opportunities II Ltd	25,244,826	1.22
13	UOB Kay Hian Pte Ltd	25,043,458	1.21
14	Rotating Offshore Solutions Pte Ltd	22,747,156	1.10
15	DBSN Services Pte Ltd	21,228,764	1.02
16	EDB Investments Pte Ltd	20,548,253	0.99
17	Phillip Securities Pte Ltd	15,178,038	0.73
18	OCBC Nominees Singapore Pte Ltd	12,401,688	0.60
19	Venstar Investments Ltd	11,416,570	0.55
20	DBS Vickers Securities (S) Pte Ltd	8,939,500	0.43
		1,323,081,862	63.81

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 23 March 2018, excluding 3,184,000 ordinary shares held as treasury shares as at that date.

SHAREHOLDERS' INFORMATION

As at 23 March 2018

SUBSTANTIAL SHAREHOLDERS

As per Register of Substantial Shareholders:

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	% (7)	NO. OF SHARES	% (7)
Chan Fooi Peng (1)	37,724,000	1.82	179,859,440	8.67
Chew Thiam Keng (2)	27,259,440	1.31	190,324,000	9.18
Macarios Pte Ltd	152,600,000	7.36	–	–
M&G Investment Management Limited (3)	–	–	98,217,700	6.16
M&G Limited (4)	–	–	98,217,700	6.16
M&G Group Limited (5)	–	–	98,217,700	6.16
Prudential Plc (6)	–	–	98,217,700	6.16

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 152,600,000 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) M&G Investment Management Limited ("M&G Investment") has deemed interest in the shares as it has discretionary power in the disposal rights over the shares as fund manager. The percentage shown, to the nearest 2 decimal places, was based on the form 3 received from M&G Investment as at 5 August 2016.

(4) M&G Investment is a wholly-owned subsidiary of M&G Limited. M&G Limited is deemed to have interest in the shares held by M&G Investment by virtue of the provisions of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore ("SFA"). The percentage shown, to the nearest 2 decimal places, was based on the form 3 received from M&G Limited as at 5 August 2016.

(5) M&G Investment is a wholly-owned subsidiary of M&G Limited, which is in turn a wholly-owned subsidiary of M&G Group Limited. M&G Group Limited is deemed to have interest in the shares held by M&G Investment by virtue of the provisions of Section 4 of the SFA. The percentage shown, to the nearest 2 decimal places, was based on the form 3 received from M&G Group Limited as at 5 August 2016.

(6) M&G Investment is a wholly-owned subsidiary of M&G Limited, which is in turn a wholly-owned subsidiary of M&G Group Limited. M&G Group Limited is ultimately owned by Prudential Plc. Prudential Plc is deemed to have interest in the shares held by M&G Investment by virtue of the provisions of Section 4 of the SFA. The percentage shown, to the nearest 2 decimal places, was based on the form 3 received from Prudential Plc as at 5 August 2016.

(7) The percentage of shareholdings is computed based on the issued and paid-up share capital of the Company comprising 2,073,843,405 shares (excluding treasury shares) as at 23 March 2018.

PERCENTAGE OF SHAREHOLDING HELD IN PUBLIC'S HANDS

Based on information made available to the Company as at 23 March 2018, approximately 83.05% 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 23 March 2018

No. of Warrants Outstanding : 355,087,144

DISTRIBUTION OF WARRANT HOLDINGS

RANGE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
1 - 99	516	4.21	23,808	0.01
100 - 1,000	2,363	19.27	1,262,009	0.35
1,001 - 10,000	7,737	63.08	25,617,825	7.21
10,001 - 1,000,000	1,618	13.19	81,776,421	23.01
1,000,001 and above	31	0.25	246,407,081	69.42
	12,265	100.00	355,087,144	100.00

TOP 20 WARRANTHOLDERS

NO.	NAME OF WARRANT HOLDER	NO. OF WARRANTS	%
1	DBS Nominees Pte Ltd	59,466,134	16.75
2	Citibank Nominees Singapore Pte Ltd	40,580,461	11.43
3	Chan Fooi Peng	32,161,248	9.06
4	Raffles Nominees (Pte) Ltd	16,284,886	4.59
5	HSBC (Singapore) Nominees Pte Ltd	12,449,779	3.51
6	CGS-CIMB Securities (S) Pte Ltd	9,866,013	2.78
7	DBSN Services Pte Ltd	7,668,237	2.16
8	Thio Sin Kiat	6,190,473	1.74
9	Evia Growth Opportunities II Ltd	5,619,498	1.58
10	Maybank Kim Eng Securities (S) Pte Ltd	5,593,248	1.58
11	EDB Investments Pte Ltd	4,574,040	1.29
12	Chew Thiam Keng	4,333,754	1.22
13	Phillip Securities Pte Ltd	4,067,709	1.15
14	Rotating Offshore Solutions Pte Ltd	3,895,012	1.10
15	OCBC Securities Private Ltd	3,249,053	0.92
16	UOB Kay Hian Pte Ltd	2,841,318	0.80
17	United Overseas Bank Nominees Pte Ltd	2,752,714	0.78
18	Tan Kok Keng	2,739,330	0.77
19	Lim Cher Khiang	2,463,440	0.69
20	DBS Vickers Securities (S) Pte Ltd	2,420,391	0.68
		229,216,738	64.58

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ezion Holdings Limited (the "Company") will be held at Tee Garden, Warren Golf & Country Club, 81 Choa Chu Kang Way, Singapore 688263 on Monday, 30 April 2018 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 2017 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Dr Wang Kai Yuen, 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 Tan Woon Hum, 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 2017. (FY2016: 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

   (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,

NOTICE OF ANNUAL GENERAL MEETING

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)**

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 (vi)) **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

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;

(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);

NOTICE OF ANNUAL GENERAL MEETING

"**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;

(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

Lee Tiong Hock
Secretary
Singapore, 13 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Dr Wang Kai Yuen will, upon re-election as a Director of the Company, continue to serve as Independent Non-Executive Chairman of the Company. Detailed information on Dr Wang can be found under the sections entitled 'Board of Directors' and 'Corporate Governance Report' in the Annual Report. There are no material relationships (including immediate family relationships) between Dr Wang and the other directors or the Company.

(ii) Mr Tan Woon Hum, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, member of the Remuneration Committee and the Nominating Committee and will be considered independent. Detailed information on Mr Tan can be found under the sections entitled 'Board of Directors' and 'Corporate Governance Report' in the Annual Report. There are no material relationships (including immediate family relationships) between Mr Tan 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.

(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 2017 are set out in greater detail in the Appendix, which is enclosed together with this Notice.

NOTICE OF ANNUAL GENERAL MEETING

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.

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.

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:
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").

For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY.**

This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) ____________________ (NRIC / Passport 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 Tee Garden, Warren Golf & Country Club, 81 Choa Chu Kang Way, Singapore 688263 on Monday, 30 April 2018 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 2017		
2	Re-election of Dr Wang Kai Yuen as a Director		
3	Re-election of Mr Tan Woon Hum 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 ______________ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

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 for securities 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.

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 13 April 2018.

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.

Designed and Produced by **Rockstar Atelier**

RENEWED FOCUS WITH

STRONG SUPPORT

ANNUAL REPORT **2017**

Co. Reg. No. 199904364E

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Ezion Holdings Limited