



Second Quarter Financial Statement And Dividend Announcement For The Six Months Ended 30 June 2019

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

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

	Group (Second Quarter) 3 months ended			Incr/ (Decr) %	Group (Second Quarter) 6 months ended		
	30.06.2019	30.06.2018			30.06.2019	30.06.2018	
	US\$'000	US\$'000			US\$'000	US\$'000	
Revenue	24,403	23,128	5.5	52,406	60,880	(13.9)	
Cost of sales and servicing	(24,069)	(24,892)	(3.3)	(49,918)	(56,416)	(11.5)	
Gross profit/(loss)	334	(1,764)	N/M	2,488	4,464	(44.3)	
Other income, net	-	20,909	N/M	1,644	11,399	N/M	
Administrative expenses	(3,517)	(3,486)	0.9	(6,862)	(7,306)	(6.1)	
Other operating expenses	(329,569)	(1,978)	N/M	(332,091)	(23,980)	N/M	
Results from operating activities	(332,752)	13,681	N/M	(334,821)	(15,423)	N/M	
Finance income	2,220	1,035	N/M	4,841	1,829	N/M	
Finance costs	(13,361)	(7,886)	69.4	(25,972)	(15,849)	63.9	
Change in fair value of financial instruments	(3,187)	91,119	N/M	(3,583)	91,119	N/M	
Net finance (costs)/income	(14,328)	84,268	N/M	(24,714)	77,099	N/M	
Share of results of associates and jointly controlled entities (net of tax)	(11,019)	(1,161)	849.1	(10,857)	(4,450)	144.0	
Results before income tax	(358,099)	96,788	N/M	(370,392)	57,226	N/M	
Income tax expense	(5,813)	(685)	748.6	(6,374)	(1,491)	327.5	
Results after income tax	(363,912)	96,103	N/M	(376,766)	55,735	N/M	

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

	Group (Second Quarter) 3 months ended			Incr/ (Decr) %	Group (Second Quarter) 6 months ended		
	30.06.2019	30.06.2018			30.06.2019	30.06.2018	
	US\$'000	US\$'000			US\$'000	US\$'000	
Other income ¹	2,120	21,944	(90.3)	6,485	13,228	(51.0)	
Interest on borrowings	(13,361)	(7,886)	69.4	(25,972)	(15,849)	63.9	
Depreciation of plant and equipment	(12,060)	(13,181)	(8.5)	(24,445)	(26,731)	(8.6)	
Foreign exchange (loss)/gain, net	(754)	19,500	N/M	(1,236)	9,675	N/M	
(Loss)/Gain on disposal asset held for sale/plant and equipment, net	(1,696)	1,492	N/M	(1,058)	1,357	N/M	
Loss on derecognition of an associate	(6,739)	-	N/M	(6,739)	-	N/M	
Loss allowances for ECLs on financial guarantees to joint ventures	(12,232)	-	N/M	(12,232)	-	N/M	
Change in fair value of financial instruments	(3,187)	91,119	N/M	(3,583)	91,119	N/M	
(Impairment loss)/Reversal of impairment loss on plant and equipment, trade and other receivables, investment in associates and investment in joint ventures	(303,546)	(250)	N/M	(303,798)	163	N/M	

¹ Includes interest income

N/M - not meaningful

See note 8 for more explanation on the income statement review

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

	Group		Company	
	30.06.2019 US\$'000	31.12.2018 US\$'000	30.06.2019 US\$'000	31.12.2018 US\$'000
Non-current assets				
Plant and equipment	692,421	919,069	849	173
Subsidiaries	-	-	80,783	95,886
Loans to subsidiaries	-	-	229,369	372,891
Joint ventures	3,731	7,011	88	88
Loans to joint ventures	67,276	88,877	25,731	25,501
Associates	-	16,943	-	14,513
Loan to associates	-	21,287	-	21,093
Other assets	25,269	30,385	25,041	24,266
	788,697	1,083,572	361,861	554,411
Current assets				
Trade receivables	70,090	69,263	7,683	7,848
Other current assets	83,035	138,075	19,464	17,571
Asset held for sale	-	2,162	-	-
Cash and cash equivalents	47,627	49,029	9,313	9,237
	200,752	258,529	36,460	34,656
Total assets	989,449	1,342,101	398,321	589,067
Equity				
Share capital	934,656	930,509	934,656	930,509
Perpetual securities	14,938	14,938	14,938	14,938
Redeemable exchangeable preference shares	23,464	23,464	-	-
Reserves	240	3,140	(3,211)	(767)
Accumulated losses	(1,603,353)	(1,226,803)	(1,944,496)	(1,735,448)
Total equity	(630,055)	(254,752)	(998,113)	(790,768)
Non-current liabilities				
Financial liabilities	1,284,970	1,276,064	835,932	822,735
Debt securities	125,057	118,701	125,057	118,701
Other payables	25,599	29,760	80,885	85,046
	1,435,626	1,424,525	1,041,874	1,026,482
Current liabilities				
Trade payables	76,824	72,333	-	69
Other payables	79,028	77,572	345,248	340,328
Financial liabilities	12,312	12,246	9,312	9,246
Provision for taxation	15,714	10,177	-	3,710
	183,878	172,328	354,560	353,353
Total liabilities	1,619,504	1,596,853	1,396,434	1,379,835
Total equity and liabilities	989,449	1,342,101	398,321	589,067

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

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

Amount repayable in one year or less, or on demand

As at 30.06.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
3,605	8,707	3,611	8,635

Amount repayable after one year

As at 30.06.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
1,284,970	125,057	1,276,064	118,701

Details of any collateral

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

Included in cash and cash equivalents an amount of US\$32,269,000 (31 December 2018: US\$32,171,000) being restricted or earmarked by the banks for various facilities granted.

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

	Group (Second Quarter) 3 months ended			Incr/ (Decr) %	Group (Second Quarter) 6 months ended		
	30.06.2019 US\$'000	30.06.2018 US\$'000			30.06.2019 US\$'000	30.06.2018 US\$'000	Incr/ (Decr) %
Results after income tax	(363,912)	96,103	N/M	(376,766)	55,735	N/M	
Other comprehensive income							
<u>Items that may be reclassified subsequently to profit or loss:</u>							
Translation differences relating to financial statements of foreign operations	(1,018)	(1,405)	N/M	24	904	(97.3)	
Change in fair value of equity investments at FVOCI	(891)	-	N/M	(1,731)	-	N/M	
Exchange differences on monetary items forming part of net investment in foreign operations	300	-	N/M	(480)	-	N/M	
Effective portion of changes in fair value of cash flow hedges	(506)	(407)	24.3	(713)	(152)	369.1	
Other comprehensive income for the period	(2,904)	(1,812)	60.3	(2,900)	752	N/M	
Total comprehensive income for the period	(366,816)	94,291	N/M	(379,666)	56,487	N/M	
Attributable to:							
Owners of the Company	(366,816)	94,291	N/M	(379,666)	56,487	N/M	

Note :

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

N/M - not meaningful

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

	Group (Second Quarter) 3 months ended		Group (Second Quarter) 6 months ended	
	30.06.2019 US\$'000	30.06.2018 US\$'000	30.06.2019 US\$'000	30.06.2018 US\$'000
Cash flows from operating activities				
Results after income tax	(363,912)	96,103	(376,766)	55,735
Adjustments for:				
Income tax expense	5,813	685	6,374	1,491
Depreciation expense	12,060	13,181	24,445	26,731
Change in fair value of financial instruments	3,187	(91,119)	3,583	(91,119)
Loss/(Gain) on disposal of asset held for sale/plant and equipment	1,696	(1,492)	1,058	(1,357)
Foreign exchange loss/(gain), net	754	(19,500)	1,236	(9,675)
Finance income	(2,220)	(1,035)	(4,841)	(1,829)
Finance costs	13,361	7,886	25,972	15,849
Impairment loss/(Reversal of impairment loss) on plant and equipment, trade and other receivables, investment in associates and investment in joint ventures	303,546	250	303,798	(163)
Loss on derecognition of an associate	6,739	-	6,739	-
Loss allowances for ECLs on financial guarantees to joint ventures	12,232	-	12,232	-
Equity-settled share-based payment transactions	108	141	216	293
Share of results of associates and jointly controlled entities	11,019	1,693	10,857	4,982
Operating cash flow before working capital changes	4,383	6,793	14,903	938
Changes in working capital:				
Trade receivables and other assets	(3,677)	3,726	(1,185)	13,410
Trade and other payables	6,873	7,802	2,614	18,247
Cash generated from operating activities	7,579	18,321	16,332	32,595
Income tax paid	(294)	(474)	(837)	(1,630)
Net cash generated from operating activities	7,285	17,847	15,495	30,965
Cash flows from investing activities				
Purchase of plant and equipment	(3,097)	(8,863)	(7,306)	(11,457)
Proceeds from disposal of asset held for sale/plant and equipment	1,073	6,133	3,873	8,378
Investments in associate	-	-	-	(882)
Interest received	-	311	155	864
Net cash used in investing activities	(2,024)	(2,419)	(3,278)	(3,097)
Cash flows from financing activities				
Proceeds from borrowings	-	-	-	93,360
Repayment of borrowings	(4,632)	(15,629)	(7,785)	(123,812)
Net proceeds from issuance of ordinary shares	-	15,255	-	15,255
Interest paid	(2,019)	(4,904)	(5,559)	(8,505)
Net cash used in financing activities	(6,651)	(5,278)	(13,344)	(23,702)
Net (decrease)/increase in cash and cash equivalents	(1,390)	10,150	(1,127)	4,166
Cash and cash equivalents at beginning of the period	49,808	42,675	49,029	46,469
Effect of exchange rate fluctuations	(791)	(1,492)	(275)	698
Cash and cash equivalents at end of the period	47,627	51,333	47,627	51,333

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

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

	Share capital	Perpetual securities	Redeemable exchangeable preference shares	Treasury shares	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
At 1 January 2018	648,940	116,499	23,464	(1,480)	3,788	951	-	(895,156)	(102,994)
Total comprehensive loss for the period	-	-	-	-	904	(152)	-	55,735	56,487
Transactions with owners, recognised directly in equity									
Issue of shares	133,529	-	-	-	-	-	-	-	133,529
Redemption of perpetual securities	-	(25,396)	-	-	-	-	-	-	(25,396)
Issue of shares from conversion of perpetual securities	74,853	(74,853)	-	-	-	-	-	-	-
Accrued perpetual securities distributions	-	-	-	-	-	-	-	862	862
Share-based payment transactions	-	-	-	-	-	-	-	293	293
At 30 June 2018	857,322	16,250	23,464	(1,480)	4,692	799	-	(838,266)	62,781
At 1 January 2019	930,509	14,938	23,464	(1,480)	3,907	713	-	(1,226,803)	(254,752)
Total comprehensive income for the period	-	-	-	-	(456)	(713)	(1,731)	(376,766)	(379,666)
Transactions with owners, recognised directly in equity									
Issue of shares	4,147	-	-	-	-	-	-	-	4,147
Share-based payment transactions	-	-	-	-	-	-	-	216	216
At 30 June 2019	934,656	14,938	23,464	(1,480)	3,451	-	(1,731)	(1,603,353)	(630,055)

	Share capital	Perpetual securities	Treasury shares	Hedging reserve	Fair value reserve	Accumulated losses	Total equity	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Company								
At 1 January 2018		648,940	116,499	(1,480)	951	-	(455,058)	309,852
Total comprehensive loss for the period		-	-	-	(152)	-	70,942	70,790
Transactions with owners, recognised directly in equity								
Issue of shares		133,529	-	-	-	-	-	133,529
Issue of perpetual securities		-	(25,396)	-	-	-	-	(25,396)
Issue of shares from conversion of perpetual securities		74,853	(74,853)	-	-	-	-	-
Accrued perpetual securities distributions		-	-	-	-	-	862	862
Share-based payment transactions		-	-	-	-	-	293	293
At 30 June 2018		857,322	16,250	(1,480)	799	-	(382,961)	489,930
At 1 January 2019		930,509	14,938	(1,480)	713	-	(1,735,448)	(790,768)
Total comprehensive income for the period		-	-	-	(713)	(1,731)	(209,264)	(211,708)
Transactions with owners, recognised directly in equity								
Issue of shares		4,147	-	-	-	-	-	4,147
Share-based payment transactions		-	-	-	-	-	216	216
At 30 June 2019		934,656	14,938	(1,480)	-	(1,731)	(1,944,496)	(998,113)

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

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

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

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

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

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

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

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

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

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

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

The movement of treasury shares are as follows:

As at 1 January 2019 = 3,184,000 shares

Purchase of treasury shares during the period = Nil

Transfer of treasury shares during the period = Nil

As at 30 June 2019 = 3,184,000 shares

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

Not applicable.

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

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

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

Not applicable.

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

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

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

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

SFRS(I) 16 *Leases*

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

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

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

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

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

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

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

SFRS(I) 16 Leases

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

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

The Group and the Company as Lessee

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

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

The Group as Lessor

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

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

	Group (Second Quarter) 3 months ended		Group (Second Quarter) 6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
(in US\$ cents)				
(a) Based on weighted average number	-9.76 cts	3.11 cts	-10.12 cts	2.19 cts
(b) On a fully diluted basis	-9.76 cts	3.11 cts	-10.12 cts	2.19 cts

Note :

Weighted average ordinary shares
for calculation of:

- Basic earnings per share	3,727,387,657	3,093,161,652	3,724,119,829	2,586,318,110
- Diluted earnings per share*	3,727,387,657	3,093,161,652	3,724,119,829	2,586,318,110

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

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

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

	Group		Company	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
(in US\$ cents)				
Net asset value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the year reported on	-16.9 cts	- 6.87 cts	-26.78 cts	-21.33 cts

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

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

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

INCOME STATEMENT REVIEW

2Q19 vs 2Q18

The Group's revenue for the three months ended 30 June 2019 ("2Q19") increased by US\$1.3 million (5.5%) to US\$24.4 million as compared to the corresponding three months ended 30 June 2018 ("2Q18"). The increase in revenue was mainly due to increase in net utilisation by liftboats.

The cost of sales and servicing for 2Q19 decreased by US\$0.8 million (3.3%) to US\$24.1 million as compared to 2Q18, mainly due to lower depreciation expenses on vessels.

As a result of the above, the Group recorded a gross profit of US\$0.3 million in 2Q19 compared with a gross loss of US\$1.8 million in 2Q18.

The decrease in other income in 2Q19 was mainly due to the absence of foreign exchange gain that was recognised in 2Q18.

As a result of the changes in the following circumstances since the Group's 1Q19 results announcement:

- (i) the unforeseen extended delay in the completion of the Proposed Subscription and the Proposed Grant of Options with Yinson Eden Pte. Ltd. (the "Yinson Subscription");
- (ii) the outlook for the offshore marine industry remains challenging and competitive in view of the oversupply of offshore logistics vessels and jack-up rigs in the industry; and
- (iii) financing options for the industry continues to be limited as lenders remain adverse to lending to this sector. As such the group has been unable to access the required funding for the planned deployment of its assets.

The projected cashflows of the Group are severely affected because,

- (i) the Group could not activate certain of its assets on time and had missed the window to deploy them according to the planned schedule;
- (ii) the Group had to make changes to the intended use of its assets and this involve disposal of certain assets in a distressed market;
- (iii) the Group had to consider customer requests for further reduction in charter rates resulting in lower cashflows; and
- (iv) the business prospects of the Group's associates and joint ventures have similarly been substantially affected by these developments.

Due to the above and as required by the accounting standards, the Group updated its impairment assessment in 2Q19 and recognised additional impairment of US\$303.5 million, the impairment losses comprise mainly impairment losses on loans to associates, loans to joint ventures, plant and equipment, and trade and other receivables. In addition, the Group has recognised loss on derecognition of an associate of US\$6.7 million and loss allowances for expected credit losses (ECL) on financial guarantees to a joint venture of US\$12.2 million in 2Q19. Accordingly, the other operating expenses in 2Q19 has increased from US\$2.0 million in 2Q18 to \$329.6 million in 2Q19.

Finance income has increased in 2Q19 mainly due to increase in interest income from loans to joint ventures.

Finance costs have increased in 2Q19 mainly due to amortisation of the fair value recognised on the Debt Securities and term loans during the period, which amounted to approximately US\$3.6 million (2Q18: Nil).

The Group has remeasured the fair value of financial liabilities that was designated as fair value through profit or loss and has recognised a fair value loss of US\$3.2 million in 2Q19 as compared to a fair value gain of US\$91.1 million in 2Q18.

The share of losses of associates and jointly controlled entities have increased in 2Q19 as compared to 2Q18, mainly due to operating losses generated from the associates and joint ventures.

The Group generated loss before income tax of US\$358.1 million in 2Q19 as a result of all the above.

Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore. Current period income tax expense of US\$5.8 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

1H19 vs 1H18

The Group's revenue for the six months ended 30 June 2019 ("1H19") decreased by US\$8.5 million (13.9%) to US\$52.4 million as compared to the corresponding six months ended 30 June 2018 ("1H18"). The decrease in revenue was mainly due to:

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

The cost of sales and servicing for 1H19 decreased by US\$6.5 million (11.5%) to US\$49.9 million as compared to 1H18, mainly due to lower depreciation expenses on vessels, offset by higher maintenance costs for vessels that were delayed in re-deployment.

As a result of the above, the Group recorded a gross profit of US\$2.5 million in 1H19 compared with US\$4.5 million in 1H18.

The decrease in other income in 1H19 was mainly due to the absence of foreign exchange gain that was recognised in 1H18.

Other operating expenses in 1H19 mainly comprise impairment losses on loans to associates, loans to joint ventures, plant and equipment, and trade and other receivables of US\$303.8 million, loss on derecognition of an associate of US\$6.7 million and loss allowances for ECL on financial guarantees to a joint venture of US\$12.2 million.

As compared to 1H18, other operating expenses mainly comprised restructuring costs incurred.

Finance income has increased in 1H19 mainly due to increase in interest income from loans to joint ventures.

Finance costs have increased in 1H19 mainly due to amortisation of the fair value recognised on the Debt Securities and term loans during the period, which amounted to approximately US\$6.9 million (1H18: Nil).

The Group has remeasured the fair value of financial liabilities that was designated as fair value through profit or loss and has recognised a fair value loss of US\$3.6 million in 1H19 as compared to a fair value gain of US\$91.1 million in 1H18.

The share of losses in 1H19 from associates and jointly controlled entities has increased mainly due to increase in operating losses from the Group's joint ventures and associates.

The Group generated loss before income tax of US\$370.4 million in 1H19 as a result of all the above.

Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore. Current period income tax expense of US\$6.4 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

STATEMENT OF FINANCIAL POSITION REVIEW

Non-current Assets

The Group's Non-current Assets amounted to US\$788.7 million as at 30 June 2019. The decrease in Non-current Assets was mainly due to impairment losses made on loans to associates, loans to joint ventures, and plant and equipment. The decrease in investment in Associates was mainly due to the derecognition of an associate as Alpha Energy Holdings Limited is not longer deemed as associated company of the Group as the Group has ceased to have significant influence over Alpha Energy Holdings Limited.

Current Assets

The Group's Current Assets amounted to US\$200.8 million as at 30 June 2019. The decrease as compared to the Group's Current Assets as at 31 December 2018 was mainly due to impairment of other current assets during the period.

Total Liabilities

The Group's Total Liabilities amounted to US\$1,619.5 million as at 30 June 2019. The increase in Total Liabilities was mainly due to amortisation of the fair value recognised on the debt securities and loss allowances for ECL on financial guarantees to a joint venture. This decrease is offset by the repayment of bank loans and settlement of an outstanding amount due to a private subscriber by way of issuance of new ordinary shares in the Company following the exercise of a call option by the private subscriber

Total Equity

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

Going concern

The Group and the Company has net liabilities of US\$630.1 million and US\$998.1 million respectively as at 30 June 2019. This was mainly due to the losses incurred by the Group during the period as described above. The Group will continue to engage closely with the secured lenders to expedite the drawdown of the additional revolving credit facilities from the secured lenders to deploy the Group's vessels back to work.

Subsequent to the previous announcements made by the Company on 31 March 2019, 12 April 2019 and 15 April 2019, in relation to the Proposed Subscription and the Proposed Grant of Options with Yinson Eden Pte. Ltd., an indirect wholly-owned subsidiary of Yinson Holdings Berhad ("Yinson"), the Company has been informed that the Subscriber is still in negotiations with the Designated Lenders.

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

- (1) the Group is still currently generating positive operating cash flows and has generated US\$15.5 million from operating activities during 1H19, and barring any unforeseen circumstances, the Group is expected to continue to generate positive cash flows for the foreseeable future;
- (2) the Group is in a net current asset position as of 30 June 2019, and is able to meet its short term obligations as and when they fall due;
- (3) the Refinancing Exercise of the Group was completed in 2018, with the earliest bullet repayment on the Group's borrowings due only in November 2023. This has provided the Group with a runway to reduce its debt to a sustainable level and achieve a sustainable capital structure; and
- (4) the Company's net current liabilities position of US\$318.1 million was mainly due to amount due to subsidiaries of US\$326.4 million as at 30 June 2019. If the amount due to subsidiaries of US\$326.4 million were excluded from the net current liabilities position of the Company, it would result in a net current asset position of US\$8.3 million.

STATEMENT OF CASH FLOWS REVIEW

Cash Flow from Operating Activities

The Group's net cash inflow from operating activities was US\$15.5 million. This was mainly due to the net cash generated by the operations of the Group.

Cash Flow from Investing Activities

The Group's net cash used in investing activities was US\$3.3 million. This was mainly due to deployment of funds towards the vessels and assets under construction, partially offset by the proceeds from sale of asset held for sale, and plant and equipment.

Cash Flow from Financing Activities

The Group's net cash used in financing activities was US\$13.3 million. This was mainly due to repayment of bank loans and payment of interest.

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

In line with the update announcement on the Yinson Subscription and profit guidance announcement released on SGX-ST on 15 April 2019 and 1 August 2019 respectively.

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

There has been a slight improvement in the overall market conditions for the marine offshore oil and gas industries as there has been a gradual increase in drilling and marine activities which lifted demand for the industries. However, with limited financing options, the Group was unable to capitalise on the uptrend in the market. Should the prolonged delay in the completion of the Yinson Subscription and unavailability of funds from the lenders continue, the Group's deployment plan for its assets may be further hindered and the Group may incur further losses going forward.

In view of the additional problems and material losses arising from the unexpected prolonged negotiations between the Designated Lenders and Yinson, the Group is exploring with Yinson on actions and solutions that will best serve the interests of all stakeholders.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

Not applicable

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

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

14. Confirmation of undertakings from Directors and Executive Officers

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

BY ORDER OF THE BOARD

Tan Wee Sin
Company Secretary

9 August 2019

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

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

On behalf of the Board of Directors

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

**Chew Thiam Keng
Executive Director & CEO**

9 August 2019