



Ezion Holdings Limited

(Company No.: 199904364E)

Third Quarter Financial Statement And Dividend Announcement For The Nine Months Ended 30 September 2017

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 (Third Quarter)		Incr/ (Decr)	Group (Year-To-Date)		Incr/ (Decr)
	3 months ended			9 months ended		
	30.09.2017	30.09.2016	%	30.09.2017	30.09.2016	%
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	63,710	79,811	(20.2)	199,686	245,612	(18.7)
Cost of sales and servicing	(62,032)	(65,811)	(5.7)	(182,571)	(193,147)	(5.5)
Gross profit	1,678	14,000	(88.0)	17,115	52,465	(67.4)
Other income, net	54	4,163	(98.7)	10,908	33,339	(67.3)
Administrative expenses	(3,827)	(4,726)	(19.0)	(11,488)	(13,109)	(12.4)
Other operating expenses	(7,542)	(1,192)	N/M	(28,094)	(19,279)	45.7
Results from operating activities	(9,637)	12,245	N/M	(11,559)	53,416	N/M
Finance income	900	1,242	(27.5)	3,700	3,277	12.9
Finance costs	(9,239)	(8,451)	9.3	(25,913)	(24,638)	5.2
Net finance costs	(8,339)	(7,209)	15.7	(22,213)	(21,361)	4.0
Share of results of associates and jointly controlled entities (net of tax)	4,759	5,317	(10.5)	6,791	2,947	130.4
(Loss)/Profit before income tax	(13,217)	10,353	N/M	(26,981)	35,002	N/M
Income tax expense	(484)	(975)	(50.4)	(2,024)	(2,000)	1.2
(Loss)/Profit after income tax	(13,701)	9,378	N/M	(29,005)	33,002	N/M

(Loss)/Profit after tax is arrived at after crediting/(charging) the following items:-

	Group (Third Quarter)		Incr/ (Decr)	Group (Year-To-Date)		Incr/ (Decr)
	3 months ended			9 months ended		
	30.09.2017	30.09.2016	%	30.09.2017	30.09.2016	%
	US\$'000	US\$'000		US\$'000	US\$'000	
Other income ¹	954	5,405	(82.3)	14,608	36,616	(60.1)
Interest on borrowings	(9,239)	(8,451)	9.3	(25,913)	(24,638)	5.2
Depreciation of plant and equipment	(36,406)	(38,095)	(4.4)	(109,073)	(110,559)	(1.3)
Foreign exchange (loss)/gain, net	(6,294)	3,487	N/M	(25,334)	(11,957)	111.9
Gain on disposal of subsidiaries, asset held for sale and plant and equipment	-	-	N/M	10,575	27,755	(61.9)

¹ Includes interest income and gain on disposal of subsidiaries and assets held for sale

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	
	30.09.2017 US\$'000	31.12.2016 US\$'000	30.09.2017 US\$'000	31.12.2016 US\$'000
Non-current assets				
Plant and equipment	2,125,105	2,198,446	238	406
Subsidiaries	-	-	1,252,904	1,285,514
Joint ventures	146,210	171,584	66,916	52,232
Associates	88,336	78,801	55,388	60,153
Other assets	5,594	4,941	5,687	2,241
	2,365,245	2,453,772	1,381,133	1,400,546
Current assets				
Trade receivables	217,174	178,899	8,817	9,599
Other current assets	238,468	164,086	92,881	68,053
Cash and cash equivalents	47,217	204,953	25,110	149,497
	502,859	547,938	126,808	227,149
Total assets	2,868,104	3,001,710	1,507,941	1,627,695
Equity				
Share capital	648,940	648,940	648,940	648,940
Perpetual securities	116,499	116,499	116,499	116,499
Redeemable exchangeable preference shares	23,464	23,464	-	-
Reserves	(26,788)	(31,549)	(1,486)	(1,541)
Retained earnings	524,329	558,030	(38,486)	798
Total equity	1,286,444	1,315,384	725,467	764,696
Non-current liabilities				
Financial liabilities	765,125	788,067	98,310	141,817
Notes payable	353,974	372,040	353,974	372,040
Other payables	23,655	33,961	72,793	112,082
	1,142,754	1,194,068	525,077	625,939
Current liabilities				
Trade payables	91,728	112,074	116	198
Other payables	50,497	42,846	132,495	110,240
Financial liabilities	246,206	331,055	76,994	122,912
Notes payable	44,082	-	44,082	-
Provision for taxation	6,393	6,283	3,710	3,710
	438,906	492,258	257,397	237,060
Total liabilities	1,581,660	1,686,326	782,474	862,999
Total equity and liabilities	2,868,104	3,001,710	1,507,941	1,627,695

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 30.09.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
192,970	97,318	233,114	97,941

Amount repayable after one year

As at 30.09.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
765,125	353,974	775,407	384,700

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\$42,235,000 being earmarked by the banks for various facilities granted.

1(b)(iii) Statement of comprehensive income for three months ended 30 September 2017

	Group (Third Quarter)			Group (Year-To-Date)		
	3 months ended	Incr/		9 months ended	Incr/	
	30.09.2017	(Decr)		30.09.2017	(Decr)	
	US\$'000	%		US\$'000	%	
(Loss)/Profit after tax	(13,701)	9,378	N/M	(29,005)	33,002	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	1,325	(544)	N/M	4,706	108	N/M
Share of foreign currency translation differences of associates	-	-	N/M	-	401	N/M
Exchange differences on monetary items forming part of net investment in foreign operations	-	(880)	N/M	-	466	N/M
Effective portion of changes in fair value of cash flow hedges	(507)	802	N/M	55	(379)	N/M
Other comprehensive income for the period	818	(622)	N/M	4,761	596	N/M
Total comprehensive income for the period	(12,883)	8,756	N/M	(24,244)	33,598	N/M
Attributable to:						
Owners of the Company	(12,883)	8,756	N/M	(24,244)	33,598	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 (Third Quarter) 3 months ended		Group (Year-To-Date) 9 months ended	
	30.09.2017 US\$'000	30.09.2016 US\$'000	30.09.2017 US\$'000	30.09.2016 US\$'000
Cash flows from operating activities				
(Loss)/Profit after tax	(13,701)	9,378	(29,005)	33,002
Adjustments for:				
Income tax expense	484	975	2,024	2,000
Depreciation expense	36,406	38,095	109,073	110,559
Gain on disposal of subsidiaries, assets held for sales and plant and equipment	-	-	(10,575)	(27,755)
Foreign exchange loss, net	6,294	(3,487)	25,334	11,957
Finance income	(900)	(1,242)	(3,700)	(3,277)
Finance costs	9,239	8,451	25,913	24,638
Financial guarantee income provided to joint ventures	-	(279)	(36)	(1,012)
Equity-settled share-based payment transactions	336	527	977	1,545
Share of results of associates and jointly controlled entities	(4,759)	(5,317)	(6,791)	(2,947)
Operating cash flow before working capital changes	33,399	47,101	113,214	148,710
Changes in working capital:				
Trade receivables and other assets	(16,803)	(3,183)	(36,194)	(25,427)
Trade and other payables	3,692	3,069	(31,701)	(1,507)
Cash generated from operating activities	20,288	46,987	45,319	121,776
Income tax paid	(540)	(874)	(1,914)	(1,930)
Net cash generated from operating activities	19,748	46,113	43,405	119,846
Cash flows from investing activities				
Purchase of plant and equipment	(7,538)	(10,207)	(31,756)	(44,861)
Proceeds from disposal of assets held for sale	-	-	-	20,400
Advance payments for purchase of plant and equipment	(1,989)	(119)	(18,309)	(754)
Investments in joint ventures	(3,738)	(6,578)	(4,476)	(10,942)
Investments in associate	-	(4,331)	(14,653)	(4,331)
Interest received	749	689	2,299	1,617
Net cash used in investing activities	(12,516)	(20,546)	(66,895)	(38,871)
Cash flows from financing activities				
Proceeds from borrowings	2,034	-	37,786	31,766
Repayment of borrowings	(49,333)	(39,933)	(146,676)	(149,860)
Net proceeds from issuance of ordinary shares	-	99,930	-	99,930
Interest paid	(7,106)	(9,448)	(27,799)	(26,805)
Net cash (used in)/generated from financing activities	(54,405)	50,549	(136,689)	(44,969)
Net decrease/(increase) in cash and cash equivalents	(47,173)	76,116	(160,179)	36,006
Cash and cash equivalents at beginning of the period	93,457	181,109	204,953	229,756
Effect of exchange rate fluctuations	933	(1,827)	2,443	(10,364)
Cash and cash equivalents at end of the period	47,217	255,398	47,217	255,398

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	Statutory reserve	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
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 period	-	-	-	-	975	(379)	-	33,002	33,598
Translations with owners, recognised directly in equity									
Issue of shares	112,659	-	-	-	-	-	-	-	112,659
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(5,763)	(5,763)
Share-based payment transactions	-	-	-	-	-	-	-	1,545	1,545
At 30 September 2016	649,027	116,499	23,464	(1,480)	(28,358)	(1,883)	(6)	626,086	1,383,349

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 period	-	-	-	-	4,706	55	-	(29,005)	(24,244)
Translations with owners, recognised directly in equity									
Issue of shares	-	-	-	-	-	-	-	-	-
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(5,673)	(5,673)
Share-based payment transactions	-	-	-	-	-	-	-	977	977
At 30 September 2017	648,940	116,499	23,464	(1,480)	(25,302)	-	(6)	524,329	1,286,444

	Share capital	Perpetual securities	Treasury shares	Hedging reserve	Statutory reserve	Retained earnings	Total equity	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Company								
At 1 January 2016		536,368	116,499	(1,480)	(1,429)	(6)	89,508	739,460
Total comprehensive income for the period		-	-	-	(427)	-	11,506	11,079
Translations with owners, recognised directly in equity								
Issue of shares		112,659	-	-	-	-	-	112,659
Accrued perpetual securities distributions		-	-	-	-	-	(5,763)	(5,763)
Share-based payment transactions		-	-	-	-	-	1,545	1,545
At 30 September 2016		649,027	116,499	(1,480)	(1,856)	(6)	96,796	858,980
At 1 January 2017		648,940	116,499	(1,480)	(55)	(6)	798	764,696
Total comprehensive income for the period		-	-	-	55	-	(34,588)	(34,533)
Translations with owners, recognised directly in equity								
Issue of shares		-	-	-	-	-	-	-
Accrued perpetual securities distributions		-	-	-	-	-	(5,673)	(5,673)
Share-based payment transactions		-	-	-	-	-	977	977
At 30 September 2017		648,940	116,499	(1,480)	-	(6)	(38,486)	725,467

- 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.**

As at 30 September 2017, the share capital less treasury shares of the Company was 2,073,843,405 ordinary shares (2,077,027,405 issued ordinary shares less 3,184,000 treasury shares). As at 30 September 2016, the share capital less treasury shares of the Company was 2,073,831,162 ordinary shares (2,077,015,162 issued ordinary shares less 3,184,000 treasury shares).

As at 30 September 2017 and 30 September 2016, 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 September 2017 and 30 September 2016.

- 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 September 2017, the issued and paid up share capital excluding treasury shares of the Company comprised 2,073,843,405 (31 December 2016: 2,073,843,405) ordinary shares.

As at 30 September 2017, subsidiary of the Company has 300 (31 December 2016: 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 end of the current financial period reported on.**

The movement of treasury shares are as follows:

As at 1 January 2017 = 3,184,000 shares

Purchase of treasury shares during the period = Nil

Transfer of treasury shares during the period = Nil

As at 30 September 2017 = 3,184,000 shares

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

Not applicable.

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

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

- 3. Where the figures have been audited or reviewed, the auditors' report (including any 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 item 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 2016.

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 adopted the new and revised FRSs and Interpretation of FRS (INT FRS) that are effective for financial periods beginning 1 January 2017. The adoption of these new and revised FRS and INT FRSs did not have material effect on the financial performance or position of the Group.

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 (Third Quarter) 3 months ended		Group (Year-To-Date) 9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
(a) Based on weighted average number of ordinary shares in issue	-0.75 cts	0.39 cts	-1.67 cts	1.61 cts
(b) On a fully diluted basis	-0.75 cts	0.39 cts	-1.67 cts	1.59 cts

Note :

Weighted average ordinary shares for calculation of:

- Basic earnings per share	2,073,843,000	1,891,764,040	2,073,843,000	1,694,365,660
- Diluted earnings per share*	2,073,843,000	1,915,209,040	2,073,843,000	1,717,810,660

* As the nine months ended 30 September 2017 is in a loss position, 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	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Net asset value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the period reported on	62.03 cts	63.43 cts	34.98 cts	36.87 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

3Q17 vs 3Q16

The Group's revenue for the three months ended 30 September 2017 ("3Q17") decreased by US\$16.1 million (20.2%) to US\$63.7 million as compared to the corresponding three months ended 30 September 2016 ("3Q16"). The decrease in revenue was mainly due to:

- (i) reduction in charter rates;
- (ii) drop in utilisation rate of the Group's Service Rigs; and
- (iii) further depression in utilisation rate of the Group's Offshore Support Vessels.

The cost of sales and servicing for 3Q17 decreased by US\$3.8 million (5.7%) to US\$62.0 million as compared to 3Q16.

As a result of the above, the Group's gross profit for 3Q17 decreased by US\$12.3 million (88.0%) to US\$1.7 million as compared to 3Q16.

The decrease in other income in 3Q17 as compared to 3Q16 was mainly due to the foreign exchange gain recorded in 3Q16.

The other operating expenses in 3Q17 includes foreign exchange losses which amounted to approximately US\$6.3 million mainly due to the strengthening of the Singapore Dollar against the United States Dollar as at 30 September 2017 and this resulted in foreign exchange losses on the Group's Notes Payable.

The increase in finance costs in 3Q17 as compared to 3Q16 was mainly due to the additional interest expense arising from higher interest rates as compared to 3Q16.

The lower share of associates and jointly controlled entities' results in 3Q17 as compared to 3Q16 was mainly due to lower contributions from the Group's Joint Ventures and Associates.

The Group incurred loss before income tax of US\$13.2 million as a result of all the above.

Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore. Current period income tax expense of US\$0.5 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

9M2017 vs 9M2016

The Group's revenue for the nine months ended 30 September 2017 ("9M17") decreased by US\$45.9 million (18.7%) to US\$199.7 million as compared to the corresponding nine months ended 30 September 2016 ("9M16"). The decrease in revenue was mainly due to:

- (i) reduction in charter rates;
- (ii) drop in utilisation rate of the Group's Service Rigs; and
- (iii) further depression in utilisation rate of the Group's Offshore Support Vessels.

The cost of sales and servicing for 9M17 decreased by US\$10.6 million (5.5%) to US\$182.6 million as compared to 9M16.

As a result of the above, the Group's gross profit for 9M17 decreased by US\$35.4 million (67.4%) to US\$17.1 million as compared to 9M16.

The decrease in other income in 9M17 as compared to 9M16 was mainly due to lower gain arising from the disposal of subsidiaries as compared to the gain on assets held for sale in 9M16.

The decrease in administrative expenses in 9M17 as compared to 9M16 was mainly due to further cost cutting measures undertaken by the Group.

The other operating expenses in 9M17 includes unrealised foreign exchange losses which amounted to approximately US\$25.3 million mainly due to the strengthening of the Singapore Dollar against the United States Dollar as at 30 September 2017 and this resulted in foreign exchange losses on the Group's Notes Payable.

The higher share of associates and jointly controlled entities' results in 9M17 as compared to 9M16 was mainly due to higher contributions from the Group's Joint Ventures and Associates.

As a result of the above, the loss before income tax for 9M17 stands at US\$27.0 million.

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\$2.0 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\$2,365.2 million as at 30 September 2017. The decrease in Non-current Assets was mainly due to depreciation charges on Plant and Equipment during the period. The decrease in Joint Ventures was mainly due to the transactions in relation to the acquisition and subsequent divestment of joint ventures as announced on 28 March 2017 and 31 March 2017. The decrease is offset by the increase in investment in associates.

Current Assets

The Group's Current Assets amounted to US\$502.8 million as at 30 September 2017. The decrease in Current Assets was mainly due to the repayment of loans, interest cost, deployment of funds towards the Group's Service Rigs. The decrease is offset by the increase in Trade Receivables and Other Current Assets, mainly due to the increase in amount owing from joint ventures.

Total Liabilities

The Group's Total Liabilities amounted to US\$1,581.7 million as at 30 September 2017. The decrease in Total Liabilities was due mainly to repayment of loans due to banks offset by the increase in the Group's Notes Payable arising from the strengthening of the Singapore Dollar against the United States Dollar as at 30 September 2017. Included in Other Payables were the advance payments, performance deposits received, deferred revenue and accrued expenses.

Total Equity

The decrease in Total Equity was attributable mainly due to the losses incurred in the period.

STATEMENT OF CASH FLOWS REVIEW

Cash Flow from Operating Activities

The Group's net cash inflow from operating activities was US\$43.4 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\$66.9 million. This was mainly due to the deployment of funds towards the Group's Service Rigs.

Cash Flow from Financing Activities

The Group's net cash used in financing activities was US\$136.7 million. This was mainly due to repayment of bank borrowings and interest costs during the period.

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

In line with the prospect statement made in 2Q17 and the Consent Solicitation Statement announced on 23 October 2017.

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.

Update on the Group's Operation

The Group has generated positive net cashflow from operations amounting to US\$43.4 million for the nine months ended 30 September 2017. The Group continues to expect positive cashflow from operations in the future based on the existing contracts.

The Group has managed to further deploy 4 additional units of Self-Propelled Jack-up Rigs ("Liftboats") further to the last reported financials. These included 3 units of the Liftboats to the offshore oil and gas industry as well as 1 unit of the Liftboat to the offshore windfarm industry.

The Group has undergone a strategic overview of its business and will focus on Liftboats. In the past few months, the Group has received enquiries for more units of its Liftboats which indicates strong demand for Liftboats services going forward. The Group is endeavoring to deploy its remaining 5 units of its Liftboats within the next 12 months. However, the Group presently does not have the appropriate capital and debt structure and cashflow to meet the required obligation for successful deployment of these Liftboats.

Hence, the Group has been actively engaging the various stakeholders to achieve a comprehensive solution while striving to preserve value for all the stakeholders.

Group's Refinancing Exercise

The Group is currently in advanced stages of negotiation with secured lenders to refinance the Group's existing liabilities as well as to release additional working capital required for the deployment of its remaining units of Liftboats. The principal terms of the refinancing includes each secured lender accepting minimal fixed principal repayments over the next 6 years, decreasing the interest rates for such loan facilities (or potentially electing to charge interest at a substantially reduced fixed rate in order to receive the Company's warrants), and granting up to an aggregate of US\$100 million in additional revolving credit facilities by such secured lenders.

The success of refinancing with secured lenders are conditional upon the Group's refinancing exercise with the Securiesholders. As such, the Group is also concurrently seeking approval from Securiesholders on the refinancing of its liabilities to Securiesholders. On 23 October 2017, the Group had announced the refinancing proposal for Securiesholders and notice of meeting with the Securiesholders for the Consent Solicitation Exercise ("CSE") to be held on the 20 November 2017.

In summary, the Group proposed for Securiesholders of Series 003, 004, 005, 006, and 007 to elect for either Series A non-convertible bonds due 2024 or Series B convertible bonds due 2023, both with interest rate of 0.25%. The Group proposed for Securiesholders of Series 008 to elect for either Series C non-convertible bonds due 2027 or amended Series 008 to allow conversion into the Company's shares.

In the event the Group achieve successful results for CSE and refinancing with secured lenders, the Group will convene an Extraordinary General Meeting to seek the Company's Shareholders approval on the proposed refinancing exercise.

The Group's ability to meet all its future obligations is dependent on the success of the CSE, the support from all its bankers, and the approval of the shareholders.

Impairment assessment of the Group's Assets

The utilisation of the Group's Service Rigs and Offshore Logistics Vessels remains depressed and the Group is currently exploring various options to reduce the burn rates of the Service Rigs and offshore logistics vessels that are currently not deployed. While the Group continues to seek deployment opportunities, the Group will be looking for opportunities to dispose its Service Rigs and Offshore Logistics Vessels that are currently not deployed and may be considered to be economically not viable. For long overdue and disputed receivables, the Group may terminate the contract and will seek to take repossession of those assets if there are opportunities to sell them or for potential redeployment.

In view of the above, the Group is in the process of assessing the amount of impairment losses on its assets, such as vessels and trade receivables. The assessment of the amount of impairment losses on the Group's assets is a highly judgemental and complex exercise which is heavily dependent on the market circumstances. The Group expects to finalise the assessment of the amount of impairment losses before the release of 4Q17 results.

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

Lee Tiong Hock
Company Secretary

9 November 2017

**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 September 2017 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 November 2017