



PACIFIC RADIANCE LTD
Company Registration No. 200609894C

Unaudited Second Quarter ("2Q 2017") Financial Statement and Dividend Announcement
For the Six Month Ended 30 June 2017 ("6M 2017")

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

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	2Q 2017	2Q 2016	+/(-)	6M 2017	6M 2016	+/(-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	17,507	20,010	(13)	31,476	38,376	(18)
Cost of sales	(18,482)	(27,726)	(33)	(39,449)	(47,419)	(17)
Gross profit	(975)	(7,716)	(87)	(7,973)	(9,043)	(12)
Other operating income	2,376	2,621	(9)	5,256	6,036	(13)
General and administrative expenses	(5,429)	(5,914)	(8)	(10,941)	(11,332)	(3)
Other operating expenses	(651)	(42,410)	(98)	(1,411)	(43,232)	(97)
Finance costs	(4,800)	(3,995)	20	(9,113)	(7,246)	26
Share of results of joint ventures	1,408	(4,528)	NM	1,321	(3,769)	NM
Share of results of associate	-	(121)	NM	-	-	NM
Loss before taxation	(8,071)	(62,063)	(87)	(22,861)	(68,586)	(67)
Taxation	(418)	(785)	(47)	(877)	(1,126)	(22)
Loss for the period	(8,489)	(62,848)	(86)	(23,738)	(69,712)	(66)
Other comprehensive income / (loss):						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation	(33)	(31)	6	(690)	(275)	NM
Net fair value changes on cash flow hedges	823	(1,758)	NM	970	426	NM
Share of other comprehensive income / (loss) of a joint venture	143	(35)	NM	277	174	59
Other comprehensive income / (loss) for the period, net of tax	933	(1,824)	NM	557	325	71
Total comprehensive loss for the period	(7,556)	(64,672)	(88)	(23,181)	(69,387)	(67)
Loss for the period attributable to:						
Equity holders of the Company	(8,051)	(57,722)	(86)	(22,800)	(64,486)	(65)
Non-controlling interests	(438)	(5,126)	(91)	(938)	(5,226)	(82)
	(8,489)	(62,848)	(86)	(23,738)	(69,712)	(66)
Total comprehensive loss for the period attributable to:						
Equity holders of the Company	(7,119)	(59,543)	(88)	(22,243)	(64,181)	(65)
Non-controlling interests	(437)	(5,129)	(91)	(938)	(5,206)	(82)
	(7,556)	(64,672)	(88)	(23,181)	(69,387)	(67)

NM: Not Meaningful

1(a)(ii) Items, if significant must be included in the income statement

Loss for the period was stated after charging/(crediting) the following:

	Group		Group	
	2Q 2017	2Q 2016	6M 2017	6M 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation of property, plant and equipment (included in cost of sales)	7,315	7,108	14,763	13,666
Depreciation of property, plant and equipment (included in general and administrative expenses)	270	520	565	1,010
Impairment of doubtful receivables, net	360	9,259	386	9,364
(Gain)/loss on sale of property, plant and equipment, net	(129)	(3)	540	(3)
Loss on disposal of assets held for sale	–	–	180	–
Loss on disposal of club membership	–	–	125	–
Impairment of property, plant and equipment	–	32,906	–	32,906
Net fair value (gain)/loss on derivatives	(10)	100	(180)	691
Exchange gain	(6)	(521)	(635)	(778)
Net gain on acquisition of a subsidiary	–	–	–	(793)
Net loss on disposal of subsidiaries	–	137	–	137
Interest income	(1,973)	(2,024)	(3,933)	(4,167)
Net gain on disposal of investment securities	–	–	–	(25)
Net fair value loss/(gain) on investment securities	17	22	31	(23)
Realisation of deferred gain on sale of vessels to joint ventures (included in share of results of joint ventures)	(181)	(229)	(362)	(395)
Realisation of deferred gain on sale of vessels to associates (included in share of results of associates)	–	121	–	–
Provision for tax in respect of prior years	6	–	142	–

1(b)(i) A 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	
	As at 30 Jun 2017	As at 31 Dec 2016	As at 30 Jun 2017	As at 31 Dec 2016
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	598,084	613,772	–	–
Investment in subsidiaries	–	–	48,842	48,833
Investment in associate	–	–	–	–
Investment in joint ventures	61,666	60,346	–	–
Club memberships	156	296	–	–
Amount due from related companies	60,488	62,143	–	–
Derivatives	–	12	–	–
	720,394	736,569	48,842	48,833
Current assets				
Inventories	743	873	–	–
Trade receivables	18,537	10,359	–	–
Other receivables	19,660	14,884	3	35
Amounts due from related companies	97,720	89,177	380,640	373,627
Investment securities	42	69	–	–
Derivatives	50	–	–	–
Assets held for sale	–	1,768	–	–
Cash and bank balances	36,303	50,628	3,303	4,126
	173,055	167,758	383,946	377,788
Total assets	893,449	904,327	432,788	426,621
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	18,627	13,330	–	–
Other liabilities	54,428	53,841	2,359	2,190
Amounts due to related companies	5,989	3,977	183,130	176,682
Bank loans	51,498	49,029	–	–
Provision for taxation	1,791	2,304	–	227
Finance lease obligations	269	206	–	–
	132,602	122,687	185,489	179,099
Non-current liabilities				
Other liabilities	11,996	12,276	–	–
Provisions	230	220	–	–
Deferred capital grant	1,418	1,418	–	–
Bank loans	400,367	397,016	–	–
Notes payable	70,665	67,806	70,665	67,806
Deferred tax liabilities	1,899	1,319	–	–
Finance lease obligations	543	560	–	–
Derivatives	7,939	12,005	7,879	11,802
	495,057	492,620	78,544	79,608
Total liabilities	627,659	615,307	264,033	258,707
Net assets	265,790	289,020	168,755	167,914

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year (cont'd).

	Group		Company	
	As at	As at	As at	As at
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Equity attributable to equity holders of the Company				
Share capital	162,854	162,854	162,854	162,854
Treasury shares	(2,530)	(2,530)	(2,530)	(2,530)
Retained earnings	120,298	142,663	7,839	7,978
Other reserves	(11,612)	(12,179)	592	(388)
	269,010	290,808	168,755	167,914
Non-controlling interests	(3,220)	(1,788)	–	–
Total equity	265,790	289,020	168,755	167,914

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

Amount repayable in one year or less, or on demand

Group As at 30 Jun 2017		Group As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
51,767	-	49,235	-

Amount repayable after one year

Group As at 30 Jun 2017		Group As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
400,910	70,665	397,576	67,806

Details of any collateral:

The Group's secured portion of bank loans is secured by:

- First legal mortgages over the vessels of the Group, with net book values of US\$485.8 million and US\$486.2 million as at 30 June 2017 and 31 December 2016 respectively;
- Escrow mortgages over the buildings, ship-repair yard and plant and equipment of the Group, with net book values of US\$59.2 million and US\$59.2 million as at 30 June 2017 and 31 December 2016 respectively;
- A right to take assignment of charter earnings of the mortgaged vessels and insurance policies of the mortgaged vessels, mortgaged buildings and mortgaged ship-repair yard; and
- Cash pledged of US\$8.5 million and US\$8.3 million as at 30 June 2017 and 31 December 2016 respectively.

In addition, certain of the Group's bank loans are secured by corporate guarantees from the Company and its subsidiaries.

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

	Group	
	2Q 2017	2Q 2016
	US\$'000	US\$'000
Cash flows from operating activities:		
Loss before taxation	(8,071)	(62,063)
Adjustments for:		
Depreciation of property, plant and equipment	7,585	7,628
Finance costs	4,800	3,995
Interest income	(1,973)	(2,024)
Share of results of joint ventures	(1,408)	4,528
Share of result of associate	—	121
Gain on sale of property, plant and equipment, net	(129)	(3)
Impairment of property, plant and equipment	—	32,906
Impairment of doubtful receivables, net	360	9,259
Net gain on assets sold under hire purchase	(22)	—
Net loss on disposal of subsidiaries	—	137
Net fair value (gain)/loss on derivatives	(10)	100
Net fair value loss on investment securities	17	22
Share-based payment expense	5	—
Exchange difference	167	178
Operating cash flows before changes in working capital	1,321	(5,216)
Increase in trade and other receivables	(4,158)	(3,839)
Increase in amounts due from/to related companies	(2,990)	(1,395)
Decrease/(increase) in inventories	130	(557)
(Decrease)/increase in trade payables and other liabilities	(416)	3,567
Cash used in operations	(6,113)	(7,440)
Taxes paid	(747)	(1,015)
Interest paid	(3,594)	(2,555)
Interest received	66	105
Net cash flows used in operating activities	(10,388)	(10,905)

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd).

	Group	
	2Q 2017	2Q 2016
	US\$'000	US\$'000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(369)	(32,888)
Proceeds from sale of property, plant and equipment	2,199	33,996
Investment in joint ventures	–	(446)
Net cash inflow on disposal of subsidiaries	–	162
Loan to related companies, net	(1,034)	(14,936)
Net cash flows generated by/(used in) investing activities	796	(14,112)
Cash flows from financing activities:		
Repayment of finance lease obligations	(65)	(36)
Proceeds from bank loans	33,453	45,604
Repayment of bank loans	(11,171)	(17,323)
Dividends paid to equity holders of the Company	–	(5,295)
Dividends paid to non-controlling shareholders by subsidiaries	–	(536)
Cash and bank balances pledged as securities	(51)	742
Net cash flows generated from financing activities	22,166	23,156
Net increase/(decrease) in cash and bank balances	12,574	(1,861)
Effect of exchange rate changes on cash and bank balances	17	(21)
Cash and bank balances at beginning of period	15,220	25,261
Cash and bank balances at end of the period	27,811	23,379
Breakdown of cash and bank balances at end of the period:		
Cash and bank balances as per balance sheet	36,303	30,054
Cash pledged	(8,492)	(6,675)
	27,811	23,379

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	Treasury Shares	Retained earnings	Total other reserves	Foreign currency translation reserve	Employee share-based payments reserve	Hedging reserve	Defined benefit plans	Premium paid on acquisition of non-controlling interests	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group												
Balance at 1 April 2017	162,854	(2,530)	128,349	(12,549)	(9,233)	187	(400)	76	(3,179)	276,124	(2,783)	273,341
Loss for the period	–	–	(8,051)	–	–	–	–	–	–	(8,051)	(438)	(8,489)
<u>Other comprehensive income</u>												
- Foreign currency translation	–	–	–	(34)	(34)	–	–	–	–	(34)	1	(33)
- Net fair value changes on cash flow hedges	–	–	–	823	–	–	823	–	–	823	–	823
- Share of other comprehensive income of a joint venture	–	–	–	143	–	–	143	–	–	143	–	143
Total comprehensive loss for period	–	–	(8,051)	932	(34)	–	966	–	–	(7,119)	(437)	(7,556)
<u>Contributions by and distributions to equity holders</u>												
- Grant of equity-settled share performance awards to employees	–	–	–	5	–	5	–	–	–	5	–	5
Total contributions by and distributions to equity holders	–	–	–	5	–	5	–	–	–	5	–	5
Balance at 30 June 2017	162,854	(2,530)	120,298	(11,612)	(9,267)	192	566	76	(3,179)	269,010	(3,220)	265,790

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 US\$'000	Treasury Shares US\$'000	Retained earnings US\$'000	Total other reserves US\$'000	Foreign currency translation reserve US\$'000	Employee share-based payments reserve US\$'000	Hedging reserve US\$'000	Premium paid on acquisition of non-controlling interests US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
The Group											
Balance at 1 April 2016	162,854	(2,128)	259,652	(12,939)	(9,557)	172	(375)	(3,179)	407,439	4,483	411,922
Loss for the period	—	—	(57,722)	—	—	—	—	—	(57,722)	(5,126)	(62,848)
<u>Other comprehensive income</u>											
- Foreign exchange translation	—	—	—	(28)	(28)	—	—	—	(28)	(3)	(31)
- Net fair value changes on cash flow hedges	—	—	—	(1,758)	—	—	(1,758)	—	(1,758)	—	(1,758)
- Share of other comprehensive income of a joint venture	—	—	—	(35)	—	—	(35)	—	(35)	—	(35)
Total comprehensive loss for the period	—	—	(57,722)	(1,821)	(28)	—	(1,793)	—	(59,543)	(5,129)	(64,672)
<u>Contributions by and distributions to equity holders</u>											
- Dividends on ordinary shares	—	—	(5,295)	—	—	—	—	—	(5,295)	—	(5,295)
- Dividends paid to non-controlling shareholders by subsidiaries	—	—	—	—	—	—	—	—	—	(536)	(536)
Total contributions by and distributions to equity holders	—	—	(5,295)	—	—	—	—	—	(5,295)	(536)	(5,831)
<u>Changes in ownership interests in subsidiaries</u>											
- Disposal of subsidiary	—	—	—	—	—	—	—	—	—	(71)	(71)
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—	—	—	—	(71)	(71)
Balance at 30 June 2016	162,854	(2,128)	196,635	(14,760)	(9,585)	172	(2,168)	(3,179)	342,601	(1,253)	341,348

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 (cont'd).

	Share capital	Treasury Shares	Retained earnings	Total other reserves	Employee share-based payments reserve	Hedging reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Company							
Balance at 1 April 2017	162,854	(2,530)	7,777	(236)	187	(423)	167,865
Profit for the period	–	–	62	–	–	–	62
<u>Other comprehensive income:</u>							
- Net fair value changes on cash flow hedges	–	–	–	823	–	823	823
Total comprehensive income for the period	–	–	62	823	–	823	885
<u>Contributions by and distributions to equity holders:</u>							
- Grant of equity-settled performance share awards to employees	–	–	–	5	5	–	5
Total contributions by and distributions to equity holders	–	–	–	5	5	–	5
Balance at 30 June 2017	162,854	(2,530)	7,839	592	192	400	168,755
Balance at 1 April 2016	162,854	(2,128)	15,145	29	172	(143)	175,900
Profit for the period	–	–	2,954	–	–	–	2,954
<u>Other comprehensive income:</u>							
- Net fair value changes on cash flow hedges	–	–	–	(1,758)	–	(1,758)	(1,758)
Total comprehensive income for the period	–	–	2,954	(1,758)	–	(1,758)	1,196
<u>Contributions by and distributions to equity holders:</u>							
- Dividends on ordinary shares	–	–	(5,295)	–	–	–	(5,295)
Total contributions by and distributions to equity holders	–	–	(5,295)	–	–	–	(5,295)
Balance at 30 June 2016	162,854	(2,128)	12,804	(1,729)	172	(1,901)	171,801

- 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, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.**

Under the Share Buy Back Mandate (first approved by the Shareholders on 30 April 2014 and last renewed at the Annual General Meeting on 28 April 2017), the Company has not bought back any ordinary shares during the second quarter of 2017.

As at 30 June 2017, the Company's total issued shares is 725,755,013 ordinary shares (31 December 2016: 725,755,013) with 12,243,000 (31 December 2016: 12,243,000) shares being held as treasury shares.

- 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.**

The Company's total issued shares excluding treasury shares is 713,512,013 as at 30 June 2017 (31 December 2016: 713,512,013).

- 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	: 12,243,000 shares
Purchase of treasury shares during the year	: Nil
As at 30 June 2017	: 12,243,000 shares

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

The financial statements for the periods under review 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.**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial reporting period as those applied in the audited financial statements for the year ended 31 December 2016, except as disclosed in Note 5 below.

- 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.**

On 1 January 2017, the Group and the Company adopted all new and revised FRSs and interpretation of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements.

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	
	6M 2017	6M 2016
Loss attributable to equity holders of the Company (US\$'000)	(22,800)	(64,486)
Weighted average ordinary shares for calculation ('000):		
- applicable to basic earnings per share	713,512	716,357
- based on a fully diluted basis	713,512	716,357
Earnings per ordinary share ("EPS") (US cents)		
(a) Based on weighted average number of ordinary shares on issue	(3.2)	(9.0)
(b) On a fully diluted basis	(3.2)	(9.0)

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	
	As at 30 Jun 17	As at 31 Dec 16	As at 30 Jun 17	As at 31 Dec 16
Net asset value (US\$'000)	269,010	290,808	168,755	167,914
Total number of ordinary shares issued ('000)	713,512	713,512	713,512	713,512
Net asset value per ordinary share (US cents)	37.7	40.8	23.7	23.5

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.**

REVIEW OF GROUP PERFORMANCE

Revenue

6 months ended 30 June 2017 ("6M 2017") vs 6 months ended 30 June 2016 ("6M 2016")

Revenue decreased by approximately US\$6.9 million or 18% from US\$38.4 million in 6M 2016 to US\$31.5 million in 6M 2017.

The decrease was mainly attributable to the decline in revenue of our Offshore Support Services Business of US\$16.6 million or 46% from US\$35.9 million in 6M 2016 to US\$19.3 million in 6M 2017 due to lower utilisation and lower charter rates of vessels from our Offshore Support Services Business.

This was partially offset by an increase in revenue from our Subsea Business of US\$6.6 million from US\$2.1 million in 6M 2016 to US\$8.7 million in 6M 2017 and revenue from our Shipyard Business of US\$3.6 million in 6M 2017, which commenced operation in 3Q 2016.

3 months ended 30 June 2017 ("2Q 2017") vs 3 months ended 30 June 2016 ("2Q 2016")

Revenue decreased by approximately US\$2.5 million or 13% from US\$20.0 million in 2Q 2016 to US\$17.5 million in 2Q 2017.

The decrease was mainly attributable to the decline in revenue of the Offshore Support Services Business of US\$7.6 million or 40% from US\$18.9 million in 2Q 2016 to US\$11.3 million in 2Q 2017 due to lower utilisation and lower charter rates of vessels from our Offshore Support Services Business.

This was partially offset by an increase in revenue from our Subsea Business of US\$3.2 million from US\$1.1 million in 2Q 2016 to US\$4.3 million in 2Q 2017 and revenue from our Shipyard Business of US\$2.0 million in 2Q 2017, which commenced operation in 3Q 2016.

Gross loss

6 months ended 30 June 2017 ("6M 2017") vs 6 months ended 30 June 2016 ("6M 2016")

Gross loss decreased by approximately US\$1.0 million or 12% from US\$9.0 million in 6M 2016 to US\$8.0 million in 6M 2017.

The decrease was mainly due to improved performances from the Subsea Business and contribution from the Shipyard Business in 6M 2017, which commenced operation in 3Q 2016.

This was partially offset by weaker performance from the Offshore Support Services Business.

3 months ended 30 June 2017 ("2Q 2017") vs 3 months ended 30 June 2016 ("2Q 2016")

Gross loss decreased by approximately US\$6.7 million or 87% from US\$7.7 million in 2Q 2016 to US\$1.0 million in 2Q 2017.

The overall decrease in gross loss was mainly attributable to improved performance from all business divisions.

REVIEW OF GROUP PERFORMANCE (CONT'D)

Other operating income

6 months ended 30 June 2017 ("6M 2017") vs 6 months ended 30 June 2016 ("6M 2016")

Other operating income decreased by approximately US\$0.7 million or 13% from US\$6.0 million in 6M 2016 to US\$5.3 million in 6M 2017.

The decrease was mainly attributable to net gain on acquisition of a subsidiary in 6M 2016 of US\$0.8 million.

3 months ended 30 June 2017 ("2Q 2017") vs 3 months ended 30 June 2016 ("2Q 2016")

Other operating income decreased by approximately US\$0.2 million or 9% from US\$2.6 million in 2Q 2016 to US\$2.4 million in 2Q 2017. The decrease was mainly due to decrease in foreign exchange gain by US\$0.5 million, offset by gain on sale of vessel of US\$0.1 million recorded in 2Q 2017.

General and administrative expenses

6 months ended 30 June 2017 ("6M 2017") vs 6 months ended 30 June 2016 ("6M 2016")

General and administrative expenses decreased by approximately US\$0.4 million or 3% from US\$11.3 million in 6M 2016 to US\$10.9 million in 6M 2017, as part of the Group's continuing cost rationalisation exercise.

3 months ended 30 June 2017 ("2Q 2017") vs 3 months ended 30 June 2016 ("2Q 2016")

General and administrative expenses decreased by approximately US\$0.5 million or 8% from US\$5.9 million in 2Q 2016 to US\$5.4 million in 2Q 2017, as part of the Group's continuing cost rationalisation exercise.

Other operating expenses

6 months ended 30 June 2017 ("6M 2017") vs 6 months ended 30 June 2016 ("6M 2016")

3 months ended 30 June 2017 ("2Q 2017") vs 3 months ended 30 June 2016 ("2Q 2016")

Other operating expenses decreased by approximately US\$41.8 million or 97% from US\$43.2 million in 6M 2016 to US\$1.4 million in 6M 2017.

Other operating expenses decreased by approximately US\$41.7 million or 98% from US\$42.4 million in 2Q 2016 to US\$0.7 million in 2Q 2017.

The decrease was mainly due to impairment of property, plant and equipment of US\$32.9 million in 2Q 2016 and lower impairment of doubtful receivables of US\$9.0 million from US\$9.4 million in 6M 2016 to US\$0.4 million in 6M 2017.

Finance costs

6 months ended 30 June 2017 ("6M 2017") vs 6 months ended 30 June 2016 ("6M 2016")

3 months ended 30 June 2017 ("2Q 2017") vs 3 months ended 30 June 2016 ("2Q 2016")

Finance cost increased by approximately US\$1.9 million or 26% from US\$7.2 million in 6M 2016 to US\$9.1 million in 6M 2017.

Finance cost increased by approximately US\$0.8 million or 20% from US\$4.0 million in 2Q 2016 to US\$4.8 million in 2Q 2017.

The increase in finance costs for both periods was in line with an increase in bank loans outstanding from US\$424.4 million as at 30 June 2016 to US\$451.9 million as at 30 June 2017.

REVIEW OF GROUP PERFORMANCE (CONT'D)

Share of results of joint ventures

6 months ended 30 June 2017 ("6M 2017") vs 6 months ended 30 June 2016 ("6M 2016") **3 months ended 30 June 2017 ("2Q 2017") vs 3 months ended 30 June 2016 ("2Q 2016")**

Share of results of joint ventures increased by approximately US\$5.1 million from share of loss of US\$3.8 million in 6M 2016 to share of gain of US\$1.3 million in 6M 2017.

Share of results of joint ventures increased by approximately US\$5.9 million from share of loss of US\$4.5 million in 2Q 2016 to share of gain of US\$1.4 million in 2Q 2017.

The increase was mainly attributable to increase in share of results of the Group's listed joint venture in Indonesia, PT Logindo Samudramakmur Tbk ("PT Logindo") as 6M 2016 included share of impairment loss of vessels of US\$3.8 million.

Share of results of associate

6 months ended 30 June 2017 ("6M 2017") vs 6 months ended 30 June 2016 ("6M 2016") **3 months ended 30 June 2017 ("2Q 2017") vs 3 months ended 30 June 2016 ("2Q 2016")**

Share of results of associate was nil in 6M 2017 and 6M 2016 as the Group recognised its share of losses only up to the Group's interest in the associate.

Share of results of associate was nil in 2Q 2017 compared to the share of losses of US\$0.1 million in 2Q 2016 as the Group recognised its share of losses only up to the Group's interest in the associate.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets amounted to US\$720.4 million as at 30 June 2017. The decrease in non-current assets from US\$736.6 million as at 31 December 2016 was mainly due to:

- (i) decrease in property, plant and equipment of US\$15.7 million;
- (ii) decrease in amount due from other related companies of US\$1.7 million; and
- (iii) partially offset by increase in investment in joint ventures of US\$1.3 million.

Current assets

The Group's current assets amounted to US\$173.1 million as at 30 June 2017. The increase in current assets from US\$167.8 million as at 31 December 2016 was mainly due to:

- (i) increase in amount due from related companies of US\$8.5 million;
- (ii) increase in trade receivables of US\$8.2 million;
- (iii) increase in other receivables of US\$4.8 million;

Which was partially offset by the:

- (iv) decrease in cash and bank balances of US\$14.3 million; and
- (v) decrease in assets held for sale of US\$1.8 million.

REVIEW OF STATEMENT OF FINANCIAL POSITION (CONT'D)

Current liabilities

The Group's current liabilities amounted to US\$132.6 million as at 30 June 2017. The increase in current liabilities from US\$122.7 million as at 31 December 2016 was mainly attributable to:

- (i) increase in trade payables of US\$5.3 million;
- (ii) increase in current bank loans of US\$2.5 million;
- (iii) increase in amounts due to related companies of US\$2.0 million;
- (iv) increase in other liabilities of US\$0.6 million; and
- (v) partially offset by decrease in provision for taxation of US\$0.5 million.

Non-current liabilities

The Group's non-current liabilities amounted to US\$495.1 million as at 30 June 2017. Non-current liabilities increased from US\$492.6 million as at 31 December 2016, which was mainly attributable to:

- (vi) increase in non-current bank loans of US\$3.4 million;
- (vii) increase in notes payables of US\$2.9 million; and
- (viii) partially offset by decrease in derivatives of US\$4.1 million.

REVIEW OF CASH FLOWS

In 2Q 2017, the Group generated net cash outflows from operating activities of approximately US\$10.4 million, which comprises cash outflow from operating activities before working capital changes of US\$1.3 million, net working capital outflow of US\$7.4 million, net interest paid of US\$3.5 million and taxes paid of US\$0.7 million.

The net cash outflow from changes in working capital of US\$7.4 million was mainly due to:-

- (i) increase in trade and other receivables of US\$4.2 million;
- (ii) increase in amounts due from/to related companies of US\$3.0 million;
- (iii) decrease in trade payables and other liabilities of US\$0.4 million; and
- (iv) partially offset by decrease in inventories of US\$0.1 million.

Net cash inflow from investing activities was approximately US\$0.8 million, which was mainly due to:-

- (i) proceeds from sale of property, plant and equipment of US\$2.2 million;
- (ii) partially offset by net loan to related companies of US\$1.0 million; and
- (iii) purchase of property, plant and equipment of US\$0.4 million;

Net cash inflow from financing activities was approximately US\$22.2 million, which was mainly due to:-

- (i) proceeds from bank loans of US\$33.5 million;
- (ii) partially offset by repayment of bank loans of US\$11.2 million;

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

Not applicable.

- 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.**

In May 2017, OPEC and non-OPEC members agreed to a further nine-month extension of production cuts to first quarter of 2018. The generally strong compliance with the agreed production cuts and the uptick in the world economy since the start of this year have helped to support oil prices between US\$45 – US\$50 per barrel. However, the global oil market is still awaiting clearer indications whether it is on course to reach a supply-demand balance in the near to medium term.

There has been a pick-up in activity in the offshore market, but operating conditions are expected to remain challenging over the next 12 months. Thus, the Group has taken further measures to rein in costs, which include further right sizing of its fleet and reduction of overheads, while pressing on with its marketing efforts.

The Group has been working closely with its major lenders to assess its debt position since the onset of the industry downturn. It has now appointed advisors to assist in reviewing the overall capital structure and developing a feasible restructuring plan that will allow the Group to sustain its operations in the current environment and for the long term.

- 11. Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(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.**

Not applicable as the Group has not obtained a general mandate from shareholders for Interested Party Transactions ("IPTs").

- 14. Confirmation of Directors and Executive Officers' undertakings pursuant to Listing Rule 720(1)**

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

15. Confirmation by the Board pursuant to SGX Listing Rule 705(5)

The Board hereby confirms to the best of its knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months ended 30 June 2017 to be false or misleading in any material respect.

On behalf of the Board of Directors

Pang Yoke Min
Executive Chairman

Mok Weng Vai
Executive Director

14 August 2017