



# OTTO MARINE LIMITED

9 Temasek Boulevard #33-01 Suntec Tower Two, Singapore 038989

Tel: 6863 2366 Fax: 6863 1127

Regn No: 197902647M

## OTTO MARINE LIMITED & ITS SUBSIDIARIES

Registration Number: 197902647M

### SECOND QUARTER 2016 FINANCIAL STATEMENTS ANNOUNCEMENT

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**OTTO MARINE LIMITED (co regn no : 197902647M)**

**Unaudited Second Quarter Financial Statements**

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

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

**Group**

	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>+/(–)</b>	<b>1H 2016</b>	<b>1H 2015</b>	<b>+/(–)</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
<b>Revenue</b>	42,183	71,215	(40.8)	137,106	219,268	(37.5)
Cost of sales	(41,785)	(56,896)	(26.6)	(117,163)	(203,054)	(42.3)
<b>Gross profit/(loss)</b>	<b>398</b>	<b>14,319</b>	<b>(97.2)</b>	<b>19,943</b>	<b>16,214</b>	<b>23.0</b>
Other income	465	(161)	n.m.	1,534	4,476	(65.7)
Selling and administration expenses	(5,501)	(7,309)	(24.7)	(11,238)	(15,406)	(27.1)
Other expenses	(3,600)	555	n.m.	(8,479)	(1,806)	369.5
Share of profit of associates and joint venture	126	(220)	n.m.	253	(481)	n.m.
Finance costs	(9,862)	(9,212)	7.1	(19,580)	(17,310)	13.1
<b>Loss before income tax</b>	<b>(17,974)</b>	<b>(2,028)</b>	<b>786.3</b>	<b>(17,567)</b>	<b>(14,313)</b>	<b>22.7</b>
Income tax expense	(308)	(452)	(31.9)	(598)	(1,437)	(58.4)
<b>Loss for the period</b>	<b>(18,282)</b>	<b>(2,480)</b>	<b>637.2</b>	<b>(18,165)</b>	<b>(15,750)</b>	<b>15.3</b>
<b>Attributable to:</b>						
Equity holders of the Company	(19,121)	(2,722)	602.5	(20,496)	(15,949)	28.5
Non-controlling interests	839	242	246.7	2,331	199	1,071.4
	<b>(18,282)</b>	<b>(2,480)</b>	<b>637.2</b>	<b>(18,165)</b>	<b>(15,750)</b>	<b>15.3</b>



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## 1(a)(ii) items, which if significant must be included in the income statement.

	The Group			The Group		
	Q2 2016	Q2 2015	+ / (-)	1H 2016	1H 2015	+ / (-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Depreciation of property, plant and equipment:						
Included in cost of sales	8,209	11,693	(29.8)	18,930	20,192	(6.3)
Included in administrative expenses	152	169	(10.1)	328	335	(2.1)
	8,361	11,862	(29.5)	19,258	20,527	(6.2)
Capitalized in construction in progress and inventories	457	648	(29.5)	831	1,022	(18.7)
	8,818	12,510	(29.5)	20,089	21,549	(6.8)
Interest on borrowings:						
Included in finance costs	9,862	9,212	7.1	19,580	17,310	13.1
Capitalized in construction in progress and inventories	1,335	782	70.7	2,988	1,743	71.4
	11,197	9,994	12.0	22,568	19,053	18.4
<u>Net profit (loss) for the period was stated after crediting (charging):-</u>						
Loss arising from the changes in the fair value of available-for-sale investment	-	-	n.m.	-	(7)	n.m.
Gain arising from changes in the fair value of interest rate swap	-	-	n.m.	570	-	n.m.
Realization of previously deferred profit on sale of vessels to an associate	-	3,333	n.m.	-	3,333	n.m.
Gain on disposal of property, plant and equipment	-	87	n.m.	-	87	n.m.
Interest income	357	364	(1.9)	725	726	(0.1)
Net foreign exchange gain (loss)	(3,597)	(4,099)	(12.2)	(8,267)	101	n.m.
Impairment loss on a vessel	-	-	n.m.	-	(1,790)	n.m.
Share award expenses	-	(59)	n.m.	-	(59)	n.m.



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**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

Balance Sheets	The Group		The Company	
	As at 30 Jun 2016	As at 31 Dec 2015	As at 30 Jun 2016	As at 31 Dec 2015
	US\$'000	US\$'000	US\$'000	US\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	10,183	21,830	1,207	4,678
Fixed deposits	7,858	12,890	7,492	7,502
Trade receivables	263,543	230,063	118,481	259,948
Gross amount due from customers for contract work	324	67	-	-
Current portion of finance lease receivables	8,697	9,341	-	-
Deposits, prepayments and other receivables	95,321	80,543	572,225	528,683
Current portion of loan receivables	400	600	75,600	75,600
Inventories	82,881	82,862	-	-
Assets classified as held for sales	165,384	165,384	-	-
Total current assets	634,591	603,580	775,005	876,411
<b>Non-current assets</b>				
Trade receivables	47,417	47,417	-	-
Prepayments and other receivables	39,819	39,819	-	-
Finance lease receivables	4,215	4,425	-	-
Loan receivables	3,500	3,700	-	-
Property, plant and equipment	603,872	642,123	348	515
Goodwill	38,314	38,314	-	-
Investment in subsidiaries	-	-	180,480	180,480
Investment in associates and joint venture	185	475	-	-
Available-for-sale investments	-	-	-	-
Deferred tax asset	771	739	-	-
Total non-current assets	738,093	777,012	180,828	180,995
<b>Total assets</b>	<b>1,372,684</b>	<b>1,380,592</b>	<b>955,833</b>	<b>1,057,406</b>



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Balance Sheets	The Group		The Company	
	As at 30 Jun 2016	As at 31 Dec 2015	As at 30 Jun 2016	As at 31 Dec 2015
	US\$'000	US\$'000	US\$'000	US\$'000
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Borrowings from financial institutions	137,836	165,012	27,985	27,976
Current portion of finance lease payables	2,890	480	184	306
Loan and other payable from related party*	23,425	23,880	-	-
Current portion of loan payables	74,505	72,230	-	-
Trade payables	190,153	167,850	32,528	74,042
Gross amount due to customers for contract Work	3,005	1,486	-	-
Other payables*	115,370	105,121	478,577	541,631
Deferred gain - short-term	444	444	-	-
Derivative financial instruments	6,313	7,547	-	-
Income tax payable	1,504	955	600	-
Liabilities directly associated with assets held for sale	95,519	109,128	-	-
<b>Total current liabilities</b>	<b>650,964</b>	<b>654,133</b>	<b>539,874</b>	<b>643,955</b>
<b>Non-current liabilities</b>				
Borrowings from financial institutions	49,088	38,617	14,649	-
Finance lease payables	258,198	260,623	68	120
Loan and other payable from related party*	40,819	40,541	36,019	35,741
Loan payables	22,281	21,251	22,281	21,251
Trade payables	157,081	149,818	157,081	149,818
Deferred gain - long-term	7,257	7,479	-	-
Derivative financial instruments	389	959	-	-
<b>Total non-current liabilities</b>	<b>535,113</b>	<b>519,288</b>	<b>230,098</b>	<b>206,930</b>
<b>Total liabilities</b>	<b>1,186,077</b>	<b>1,173,421</b>	<b>769,972</b>	<b>850,885</b>
<b>Capital, reserves and non-controlling interests</b>				
Share capital	357,183	357,183	357,183	357,183
Capital reserves	1,546	1,546	1,546	1,546
Hedging deficits	(1,971)	(801)	-	-
Acquisition deficits	(30,510)	(30,510)	-	-
Translation reserves	26,743	28,138	31,110	31,115
Accumulated losses	(172,575)	(152,079)	(203,978)	(183,323)
Equity attributable to equity holders of the Company	180,416	203,477	185,861	206,521
Non-controlling interests	6,191	3,694	-	-
<b>Total equity</b>	<b>186,607</b>	<b>207,171</b>	<b>185,861</b>	<b>206,521</b>
<b>Total liabilities and equity</b>	<b>1,372,684</b>	<b>1,380,592</b>	<b>955,833</b>	<b>1,057,406</b>

\*Amounts due to the controlling shareholder or companies held by the controlling shareholder of US\$4,800,000

(2015: US\$4,800,000) and US\$36,019,000 (2015: US\$35,741,000) are respectively included in other payables and loan from related party.



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## 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 Jun 2016		As at 31 Dec 2015	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
179,479	59,177	205,258	56,344

### *Amount repayable after one year*

As at 30 Jun 2016		As at 31 Dec 2015	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
307,286	58,300	299,240	56,992

### **Details of any collateral**

The Group's borrowings are primarily secured by fixed deposits, the mortgage of the relevant vessels and certain property, plant and equipment and inventory, shipyard contracts, insurance taken over the mortgaged vessels, charter agreements and income and proceeds from sale of vessels.



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**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	The Group		The Group	
	Q2 2016	Q2 2015	1H 2016	1H 2015
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cash flow from operating activities:</b>				
<b>Operating activities</b>				
Loss before income tax	(17,974)	(2,028)	(17,567)	(14,313)
Adjustment for:				
Share of profit of associates and joint venture	(126)	220	(253)	481
Depreciation of property, plant and equipment	8,361	11,862	19,258	20,527
Interest expense	9,862	9,212	19,580	17,310
Interest income	(357)	(364)	(725)	(726)
Gain arising from changes in fair value of:				
- interest rate swap contracts	-	-	(570)	-
- available-for-sale investment	-	-	-	7
Foreign exchange (gain) loss	187	863	1,747	(825)
Gain on disposal of property, plant and equipment	-	(87)	-	(87)
Realization of previously deferred profit on sale of vessels to an associate	-	(3,333)	-	(3,333)
Share awards	-	59	-	59
Property, plant and equipment written off	85	23	85	23
Impairment loss on a vessel	-	-	-	1,790
<b>Operating cash flows before movements in working capital</b>	<b>38</b>	<b>16,427</b>	<b>21,555</b>	<b>20,913</b>
Trade receivables	13,735	580	(11,447)	15,647
Construction work-in-progress	1,721	95,621	3,379	91,435
Finance lease receivables	431	(4,528)	854	(4,211)
Other receivables, prepayments and deposits	(4,495)	10,620	(12,522)	648
Inventories	(617)	(9,858)	35	(11,644)
Trade payables	6,104	(56,863)	26,996	(38,683)
Other payables	1,871	2,054	13,505	7,005
<b>Cash generated from (used in) operations</b>	<b>18,788</b>	<b>54,053</b>	<b>42,355</b>	<b>81,110</b>
Income tax paid	(31)	(157)	(74)	(806)
Interest received	(560)	622	(782)	876
<b>Net cash from (used in) operating activities</b>	<b>18,197</b>	<b>54,518</b>	<b>41,499</b>	<b>81,180</b>



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<u>Group</u>	The Group		The Group	
	Q2 2016	Q2 2015	1H 2016	1H 2015
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Investing activities</b>				
Purchase of assets and liabilities from companies	-	(7,978)	-	(7,978)
Loan receivables	100	4,500	400	4,600
Purchase of property, plant and equipment	(1,310)	(520)	(1,362)	(7,570)
Proceeds from disposal of property, plant and equipment	1	-	1	-
<b>Net cash from (used in) investing activities</b>	<b>(1,209)</b>	<b>(3,998)</b>	<b>(961)</b>	<b>(10,948)</b>
<b>Financing activities</b>				
Proceeds on borrowings from financial institutions	11,734	31,593	15,476	46,096
Repayment of borrowings from financial institutions	(15,970)	(88,837)	(41,640)	(114,689)
Repayment of finance lease obligations	(1,266)	(1,317)	(1,641)	(7,031)
Proceeds (Repayment) of loan from a related party	(211)	(2,013)	(825)	(2,013)
Proceeds from loan payable	-	30,972	-	30,972
Repayment of loan payable	(801)	(341)	(4,879)	(601)
Repayment of redeemable preference shares	-	(7,485)	-	(7,485)
Interest paid	(13,900)	(12,476)	(23,623)	(17,010)
Deposits released (pledged) for borrowings from financial institutions	3,014	1,249	5,045	865
<b>Net cash from (used in) financing activities</b>	<b>(17,400)</b>	<b>(48,655)</b>	<b>(52,087)</b>	<b>(70,896)</b>
<b>Net increase (decrease) in cash and bank balances</b>	<b>(412)</b>	<b>1,865</b>	<b>(11,549)</b>	<b>(664)</b>
<b>Cash and bank balances at beginning of period</b>	<b>10,858</b>	<b>14,124</b>	<b>22,180</b>	<b>16,841</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	100	61	(85)	(127)
<b>Cash and bank balances at end of period</b>	<b>10,546</b>	<b>16,050</b>	<b>10,546</b>	<b>16,050</b>
<b>Cash and bank balances at end of period include the following:</b>				
Cash and bank balances	10,183	15,739	10,183	15,739
Less: Bank overdraft	-	-	-	-
	10,183	15,739	10,183	15,739
Fixed deposits	7,858	12,222	7,858	12,222
Less: Deposits pledged for borrowings from financial institutions	(7,495)	(11,911)	(7,495)	(11,911)
<b>Deposits earmarked for refund guarantee and other fixed deposits</b>	<b>363</b>	<b>311</b>	<b>363</b>	<b>311</b>
<b>Total</b>	<b>10,546</b>	<b>16,050</b>	<b>10,546</b>	<b>16,050</b>





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**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**

## **STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE**

	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>1H 2016</b>	<b>1H 2015</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b><u>The Group</u></b>				
<b>Loss for the period</b>	(18,282)	(2,480)	(18,165)	(15,750)
<b>Other comprehensive income (expense):</b>				
Exchange differences on translating foreign operations	49	(180)	(1,229)	1,203
Cash flow hedge	(2,664)	(145)	(1,170)	51
<b>Other comprehensive income (expense) for the period, net of tax</b>	(2,615)	(325)	(2,399)	1,254
<b>Total comprehensive income (expense) for the period</b>	(20,897)	(2,805)	(20,564)	(14,496)
<b>Total comprehensive income (expense) attributable to:</b>				
Equity holders of the Company	(21,735)	(3,048)	(23,061)	(14,702)
Non-controlling interests	838	243	2,497	206
	(20,897)	(2,805)	(20,564)	(14,496)
<b><u>The Company</u></b>				
<b>Loss for the period</b>	(9,104)	(8,590)	(20,655)	(9,538)
<b>Other comprehensive income (expense):</b>				
Exchange differences on translating foreign operations	(8)	(9)	(5)	1
<b>Other comprehensive income (expense) for the period, net of tax</b>	(8)	(9)	(5)	1
<b>Total comprehensive expense for the period</b>	(9,112)	(8,599)	(20,660)	(9,537)
<b>Total comprehensive expense attributable to:</b>				
Equity holders of the Company	(9,112)	(8,599)	(20,660)	(9,537)
Non-controlling interests	-	-	-	-
	(9,112)	(8,599)	(20,660)	(9,537)



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## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE

	Share Capital	Capital Reserves	Acquisition Deficits	Hedging Reserves (Deficits)	Translation Reserves (Deficits)	Accumulated Profit (Loss)	Attributable to equity holders of the Company	Non- controlling interests	Total Equity
<u>Group</u>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>Q1 2016</u>									
At 1 January 2016	357,183	1,546	(30,510)	(801)	28,138	(152,079)	203,477	3,694	207,171
Cashflow hedge	-	-	-	1,494	-	-	1,494	-	1,494
Total comprehensive expense for the period	-	-	-	-	(1,445)	(1,375)	(2,820)	1,659	(1,161)
<b>At 31 March 2016</b>	<b>357,183</b>	<b>1,546</b>	<b>(30,510)</b>	<b>693</b>	<b>26,693</b>	<b>(153,454)</b>	<b>202,151</b>	<b>5,353</b>	<b>207,504</b>
<u>Q2 2016</u>									
Cashflow hedge	-	-	-	(2,664)	-	-	(2,664)	-	(2,664)
Total comprehensive expense for the period	-	-	-	-	50	(19,121)	(19,071)	838	(18,233)
<b>At 30 June 2016</b>	<b>357,183</b>	<b>1,546</b>	<b>(30,510)</b>	<b>(1,971)</b>	<b>26,743</b>	<b>(172,575)</b>	<b>180,416</b>	<b>6,191</b>	<b>186,607</b>



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## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE (CONT'D)

	Share Capital	Capital Reserves	Acquisition Deficits	Hedging Reserves	Translation Reserves (Deficits)	Accumulated Profit (Loss)	Attributable to equity holders of the Company	Non- controlling interests	Total Equity
<u>Group</u>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b><u>Q1 2015</u></b>									
At 1 January 2015	357,124	1,546	(30,510)	(1,159)	25,289	(89,222)	263,068	(2,422)	260,646
Total comprehensive income (expense) for the period	-	-	-	196	1,377	(13,227)	(11,654)	(37)	(11,691)
<b>At 31 March 2015</b>	357,124	1,546	(30,510)	(963)	26,666	(102,449)	251,414	(2,459)	248,955
<b><u>Q2 2015</u></b>									
Share award, net of expense	59	-	-	-	-	-	59	-	59
Non-controlling interest arising through acquisition of assets and liabilities	-	-	-	-	-	-	-	3,912	3,912
Total comprehensive income (expense) for the period	-	-	-	(145)	(181)	(2,722)	(3,048)	243	(2,805)
<b>At 30 June 2015</b>	357,183	1,546	(30,510)	(1,108)	26,485	(105,171)	248,425	1,696	250,121



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## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE (CONT'D)

<u>COMPANY</u>	Share Capital US\$'000	Capital Reserves US\$'000	Translation Reserves US\$'000	Accumulated Losses US\$'000	Total Equity US\$'000
<b><u>Q1 2016</u></b>					
At 1 January 2016	357,183	1,546	31,115	(183,323)	206,521
Total comprehensive expense for the period	-	-	3	(11,551)	(11,548)
<b>At 31 March 2016</b>	<b>357,183</b>	<b>1,546</b>	<b>31,118</b>	<b>(194,874)</b>	<b>194,973</b>
<b><u>Q2 2016</u></b>					
Total comprehensive expense for the period	-	-	(8)	(9,104)	(9,112)
<b>At 30 June 2016</b>	<b>357,183</b>	<b>1,546</b>	<b>31,110</b>	<b>(203,978)</b>	<b>185,861</b>

<u>COMPANY</u>	Share Capital US\$'000	Capital Reserves US\$'000	Translation Reserves US\$'000	Accumulated Loss US\$'000	Total Equity US\$'000
<b><u>Q1 2015</u></b>					
At 1 January 2015	357,124	1,546	31,108	(152,824)	236,954
Total comprehensive expense for the period	-	-	10	(948)	(938)
<b>At 31 March 2015</b>	<b>357,124</b>	<b>1,546</b>	<b>31,118</b>	<b>(153,772)</b>	<b>236,016</b>
<b><u>Q2 2015</u></b>					
Share award, net of expense	59	-	-	-	59
Total comprehensive expense for the period	-	-	(9)	(8,590)	(8,599)
<b>At 30 June 2015</b>	<b>357,183</b>	<b>1,546</b>	<b>31,109</b>	<b>(162,362)</b>	<b>227,476</b>



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- 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 of 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 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.**

1 April 2016 to 30 June 2016

A joint announcement dated 8 June 2016 was made by the Company and Ocean International Capital Limited (the "Offeror") in relation to the proposed voluntary delisting of the Company from the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST") pursuant to Rules 1307 and 1309 of the SGX-ST Listing Manual and the cash exit offer (the "Exit Offer") to be made by the financial adviser to the Offeror, RHB Securities Singapore Pte. Ltd. ("RHBSEC"), for and on behalf of the Offeror, to acquire (a) all the issued ordinary shares in the capital of the Company ("Shares") held by shareholders of the Company ("Shareholders"), other than those Shares owned, controlled or agreed to be acquired by the Offeror; and (b) all new Shares as may be issued prior to the close of the Exit Offer pursuant to the Otto Marine Share Award Scheme (collectively, "Offer Shares"). The offer price for each Offer Share is S\$0.32 in cash.

1 July 2016 to current

Pursuant to the Otto Marine Share Award Scheme, 213,700 new shares were issued resulting in an increase in share capital by US\$50,000. These shares were issued to non-executive directors in satisfaction of 30% of the directors' fees for the year ended 31 December 2015 pursuant to a resolution passed at the Annual General Meeting of the Company held on 3 June 2016.

In connection with the Exit Offer, the Offeror had, on 30 September 2016, received valid acceptances amounting to 90.74% of the total issued share capital of the Company and the Offeror intended to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act.

- 1(d)(iii) and (iv) Statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

**Information pursuant to clause 1(d)(iii):**

	As at 30 Jun 2016	As at 31 Dec 2015
Total number of issued shares excluding treasury shares	212,354,622	212,354,622

**Information pursuant to clause 1(d)(iv):**

The Company does not have any treasury shares as at end of the immediately preceding financial period and during the current financial period.



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**1(e) Negative assurance confirmation on interim financial results pursuant to rule 705(5) of the Listing Manual**

We, the undersigned, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the six months ended 30 June 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors

**Yaw Chee Siew**  
Executive Chairman

**See Kian Heng**  
Group Chief Executive Officer and  
Group Executive Director

06 October 2016

**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 auditor's 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 financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2015 except for the changes mentioned in Section 5.

**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 reason for, and the effect of, the change**

In the current financial year, the Group and the Company have adopted all new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and have no material effect on the financial statements.



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

		The Group			The Group		
		3 months ended Jun 2016	3 months ended Jun 2015	+ / (-) %	6 months ended Jun 2016	6 months ended Jun 2015	+ / (-) %
Earnings (Loss) per ordinary share of the Group for the financial period based on net profit attributable to shareholders:							
(i)	Based on the weighted average number of shares (US cents)	(9.00)	(1.28)*	603.1	(9.65)	(7.51)	28.5
	Weighted average number of shares ('000)	212,355	212,250*	0.1	212,355	212,247	0.1
(ii)	On a fully diluted basis (US cents)	(9.00)	(1.28)*	603.1	(9.65)	(7.51)	28.5
	Adjusted weighted average number of shares ('000)	212,355	212,250*	0.1	212,355	212,247	0.1

\*On 25 August 2015, the Company completed the Share Consolidation where every 20 existing shares registered in the name of each shareholder have been consolidated into one Consolidated Share. To be comparable, the weighted average number of shares has been adjusted to take into consideration the effect of the Share Consolidation.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	The Group			The Company		
	As at 30 Jun 2016	As at 31 Dec 2015	+ / (-) %	As at 30 Jun 2016	As at 31 Dec 2015	+ / (-) %
Net asset value per ordinary share based on issued share capital at the end of the financial period (US cents)	87.88	97.56	(9.9)	87.52	97.25	(10.0)



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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 period reported on

## Review of Group Performance

### 1. 1H 2016 versus 1H 2015

	Shipyards US\$'000	Shipping and chartering US\$'000	Subsea services US\$'000	Elimination (Note 1) US\$'000	Group US\$'000
<b><u>1H 2016</u></b>					
External revenue	49,146	84,542	3,418	-	137,106
Inter-segment revenue	1,560	-	9,571	(11,131)	-
Total revenue	50,706	84,542	12,989	(11,131)	137,106
Cost of sales	(33,816)	(85,498)	(8,980)	11,131	(117,163)
Gross profit (loss)	16,890	(956)	4,009	-	19,943
<b><u>1H 2015</u></b>					
External revenue	121,902	91,267	6,099	-	219,268
Inter-segment revenue	1,285	-	5,450	(6,735)	-
Total revenue	123,187	91,267	11,549	(6,735)	219,268
Cost of sales	(115,126)	(86,303)	(8,360)	6,735	(203,054)
Gross profit	8,061	4,964	3,189	-	16,214
<b><u>Variance</u></b>					
External revenue	(72,756)	(6,725)	(2,681)	-	(82,162)
Inter-segment revenue	275	-	4,121	(4,396)	-
Total revenue	(72,481)	(6,725)	1,440	(4,396)	(82,162)
Cost of sales	81,310	805	(620)	4,396	85,891
Gross profit (loss)	8,829	(5,920)	820	-	3,729

Note 1 Inter-segment revenue are eliminated upon consolidation.





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## Revenue

External revenue decreased by US\$82.2 million contributed by all segments.

Shipyard – The sale of a comparatively smaller vessel with lower value in 1H 2016 vis-à-vis 1H 2015, as well as, the decrease in fabrication revenue contributed to the decrease in shipyard external revenue by US\$72.8 million.

Shipping and chartering – The decrease in revenue (US\$6.7 million) was mainly due to lower utilisation of the vessels and reduction in charter rates.

Subsea services – The decrease in external revenue (US\$2.7 million) was mainly due to lower utilisation of one of the vessels.

## Gross profit (loss)

Shipyard – Gross profit increased by US\$8.8 million in 1H 2016 as a result of higher margin enjoyed from the sale of the vessel in 1Q 2016.

Shipping and chartering – Gross profit decreased as a result of lower revenue.

Subsea services – Gross profit increased by US\$0.8 million primarily due to reduced operating costs from cost rationalisation measures.

## Other income

Other income decreased by US\$2.9 million primarily due to the absence of the realization of previously deferred profit on the sale of vessels to associates (US\$3.3 million), partially offset by the increase in gain arising from the changes in fair value of interest rate swap contracts (US\$0.5 million).

## Other expenses

Other expenses increased by US\$6.7 million as a result of an increase in foreign exchange loss (US\$8.3 million) partially offset by the absence of impairment loss of property, plant and equipment (US\$1.8 million).

## Selling and administrative expenses

Selling and administrative expenses decreased by US\$4.2 million primarily due to the decrease in salaries and wages (US\$2.8 million).

## Finance cost

The finance costs increased by US\$2.3 million mainly due to interest incurred on certain loan facilities drawn down after 1H 2015.



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## 2. Q2 2016 versus Q2 2015

	Shipyard US\$'000	Shipping and chartering US\$'000	Subsea services US\$'000	Elimination (Note 1) US\$'000	Group US\$'000
<b><u>Q2 2016</u></b>					
External revenue	2,578	39,598	7	-	42,183
Inter-segment revenue	240	-	4,839	(5,079)	-
Total revenue	2,818	39,598	4,846	(5,079)	42,183
Cost of sales	(2,705)	(40,087)	(4,072)	5,079	(41,785)
Gross profit (loss)	113	(489)	774	-	398
<b><u>Q2 2015</u></b>					
External revenue	15,920	51,463	3,832	-	71,215
Inter-segment revenue	1,174	-	770	(1,944)	-
Total revenue	17,094	51,463	4,602	(1,944)	71,215
Cost of sales	(17,042)	(38,211)	(3,587)	1,944	(56,896)
Gross profit	52	13,252	1,015	-	14,319
<b><u>Variance</u></b>					
External revenue	(13,342)	(11,865)	(3,825)	-	(29,032)
Inter-segment revenue	(934)	-	4,069	(3,135)	-
Total revenue	(14,276)	(11,865)	244	(3,135)	(29,032)
Cost of sales	14,337	(1,876)	(485)	3,135	15,111
Gross loss	61	(13,741)	(241)	-	(13,921)

Note 1 Inter-segment revenue are eliminated upon consolidation.



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## Revenue

External revenue decreased by US\$29.0 million, contributed by all segments.

Shipyard – The external revenue decreased by US\$13.3 million mainly due to the slowdown in the shipbuilding and fabrication orders, partially offset by an increase in completion of ship repair projects.

Shipping and chartering – The decrease in revenue of US\$11.9 million was mainly due to lower utilisation of the vessels.

Subsea services – The decrease in revenue (US\$3.8 million) was mainly due to lower utilisation of one of the vessels.

## Gross profit (loss)

Shipyard – The gross profit increased as a result of cost cutting measures.

Shipping and chartering – The decrease in gross profit was due to the decrease in revenue and partially offset by a decrease in depreciation as a result of the sale of a vessel in 1Q 2016.

Subsea services – Gross profit decreased by US\$0.2 million primarily due to the reduction in revenue.

## Other income

Other income increased by US\$0.6 million primarily due to the absence of 2Q 2015 net foreign exchange loss (US\$4.1 million), partially offset by the absence of the realization of previously deferred profit on the sale of vessels to associates (US\$3.3 million).

## Other expenses

Other expenses increased by US\$4.2 million mainly due to the increase in foreign exchange loss (US\$3.6 million) and the increase in property, plant and equipment written off (US\$0.1 million).

## Selling and administrative expenses

Selling and administrative expenses decreased by US\$1.8 million primarily due to the decrease in salaries and wages (US\$2.2 million).

## Finance cost

The finance costs increased by US\$0.7 million mainly due to interest incurred on certain loan facilities drawn down after 1H 2015.



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## Review of Balance Sheet &/or Cash Flow

### ASSETS

The material contributing factors to the decrease in total assets of US\$1,380.6 million as at 31 December 2015 to US\$1,372.7 million as at 30 June 2016 was primarily due to the decrease in (1) cash and bank balances and fixed deposits, (2) finance lease and loan receivables arising from collection from customers and (3) property, plant and equipment resulting from the sale of vessel and depreciation. The decrease was partially offset by increase in (1) trade receivables due to amounts to be collected from the sale of a vessel, (2) other receivables, deposits and prepayments to vendors and (3) costs incurred under inventories and amounts due from customers for vessels under construction.

### LIABILITIES

The increase in total liabilities from US\$1,173.4 million as at 31 December 2015 to US\$1,186.1 million as at 30 June 2016 was due to the increase in (1) trade and other payables due to slower payments to vendors, (2) gross amounts due to customers for vessels under construction and (3) income tax payables. The increase was partially offset by decrease in (1) borrowings from financial institutions due to loan payments, (2) derivative financial instruments and (3) liabilities associated with assets held for sale. The Group has a negative working capital as a result of the classification of certain loans with tenure of more than 12 months from balance sheet date from non-current liabilities to current liabilities in accordance to FRS 1.74.

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

Nil.

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.**

The persistent challenging market condition, particularly the oil and gas industry, puts continuing pressure on the Group's performance. The Group continues to focus on improving fleet utilisation, while concurrently rationalising its cost structure. As the market continued to be challenging, any adverse events impacting the Company's customers and vendors may have a direct impact on its performance and financial position. The market conditions have not changed since the Company last undertook to assess its vessels' values for the FY2015 audit and the Company will re-assess its vessels' values upon severe adverse changes to the market conditions occurring or at its year-end audit, whichever is earlier. The Company will be delisted from the Official List of the Singapore Exchange Securities Trading Limited from 9.00am on 7 October 2016.

11. **Dividend**

**(a) Current Financial Period Reported On**

**Any dividend recommended for the current financial period reported on? No.**

**(b) Corresponding Period of the Immediately Preceding Financial Year**

**Any dividend recommend for the corresponding period of the immediately preceding financial year reported on? No**



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**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/(recommended), a statement to that effect**

No dividend has been declared/(recommended) in the current financial period reported on.

**13. Interested Person Transactions**

There is no interested person transaction that falls under a general mandate by shareholders. The Group has not obtained a general mandate by shareholders for interested person transactions.

Aggregate value of all  
transactions excluding  
transactions conducted under  
shareholders' mandate pursuant  
to Rule 920 (excluding  
transactions less than \$100,000)

**1H 2016**

**US\$'000**

Rent expense to Samling Singapore Pte Ltd	322
Interest expense to Brizill International Limited	220
Interest expense to the controlling shareholder for loan extended to Otto Marine Limited	1,047

**14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company confirms that the undertakings under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

**BY ORDER OF THE BOARD**

**CHONG SIEH JIUAN**

**CHIEF FINANCIAL OFFICER AND JOINT COMPANY SECRETARY**

**06 OCTOBER 2016**

*This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes, and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, exchange rate movement, cost of capital and capital availability, competition from other shipbuilding and chartering companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.*