

GUIDED BY OUR

VISION

PACC OFFSHORE
SERVICES
HOLDINGS LTD.

ANNUAL REPORT
2016

POSH

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OUR VISION

WE ASPIRE TO BE THE BEST-IN-CLASS SERVICE PROVIDER, AND OUR CUSTOMERS' PARTNER OF CHOICE. WE ARE REPUTED FOR OUR RELIABILITY, PROFESSIONALISM, INTEGRITY AND OPERATIONAL EXCELLENCE.

OUR CORE VALUES

TEAMWORK

- Embrace our "ONE TEAM" culture to meet our shared vision and mission.
- Appreciate the contributions of each member of our POSH family, both on shore and at sea.

INTEGRITY

- Honour our commitments and deliver on our promises.
- Be sincere and honest in all our engagements.

ACCOUNTABILITY

- Be accountable for our actions or inaction.
- Be proactive and take ownership – "If it is to be, it is up to me".

DEDICATION TO HEALTH, SAFETY, QUALITY & ENVIRONMENT

- Uphold our firm commitment to operational and safety excellence while delivering constant improvements.
- Keep our staff and our work environments safe and healthy.
- Care for our planet – do no environmental damage.

CUSTOMER AND MARKET FOCUS

- Always listen to and focus on the needs of our customers.
- Be alert to market forces re-shaping the business landscape to identify and capture new opportunities.
- Be passionate about what we do and relish the pursuit of finding solutions to any challenge.

ABOUT POSH

PACC Offshore Services Holdings Ltd. ("**POSH**") is a leading offshore marine services provider with some 60 years of operating experience and specialised expertise in offshore and marine oil field services. With a young and diverse fleet of over 100 offshore vessels servicing multiple segments of the offshore oil and gas value chain, we are known as a best-in-class service provider with a reputation for operational excellence, teamwork, integrity, accountability, safety and market focus.

Our highly experienced team is consistently recognised by customers for our professionalism and commitment to service quality and safety. We are known for continually raising the bar in offshore marine services, and our proven international track record makes us the partner of choice for clients.

We operate across four major business divisions: Offshore Supply Vessels ("**OSV**"), Offshore Accommodation ("**OA**"), Transportation & Installation ("**T&I**"), and Harbour Services & Emergency Response ("**HSER**").

POSH is headquartered in Singapore and listed on the Mainboard of the Singapore Exchange. Our fleet operates worldwide, serving offshore oilfields in Asia, Africa, Middle East, North and Latin America, by providing vessels and services for projects involving many of the world's major oil companies and established international offshore contractors.







IN 2016, SECURED

TWO CONTRACTS

FOR THE LANDMARK
SHELL PRELUDE
FLNG PROJECT

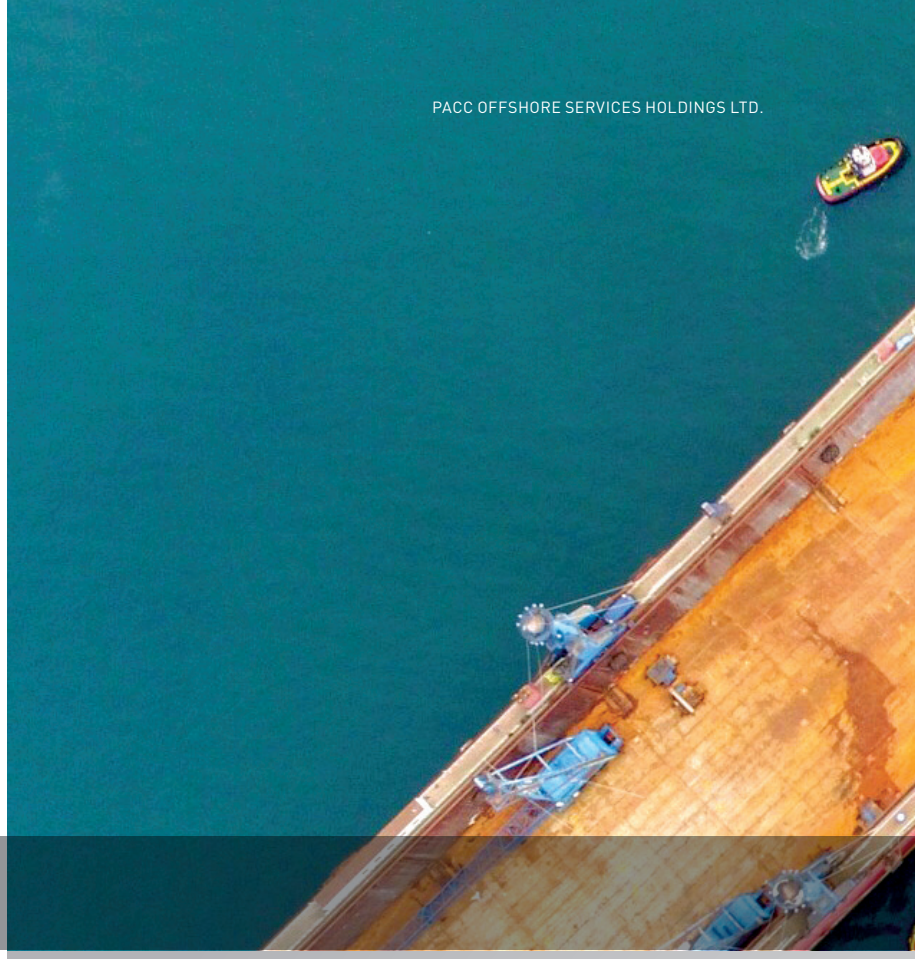
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10 NEWBUILD VESSELS

FOR 2017 ALREADY
CONTRACTED

TRUSTED PARTNER OF CHOICE

OUR GROWTH JOURNEY



Backed by years of operating experience and specialised expertise in offshore and marine oil field services, POSH represents the coming together of various established companies in the industry. Each of these companies possessed a rich heritage and solid reputation as pioneers and leaders in their respective fields of operation.

Evolving from a leading salvor and towage specialist in the 1950s, POSH today is a leading global player in the offshore and marine industry, providing a comprehensive suite of vessels and services. We operate a young, nimble and diverse fleet that is regularly renewed, reflecting our diverse capabilities and deep expertise.

Our combined assets, vast experience in project management, and impeccable track record are well recognised by our customers, and we will continue to build on our fine history and raise the bar for offshore and marine service excellence.

2014

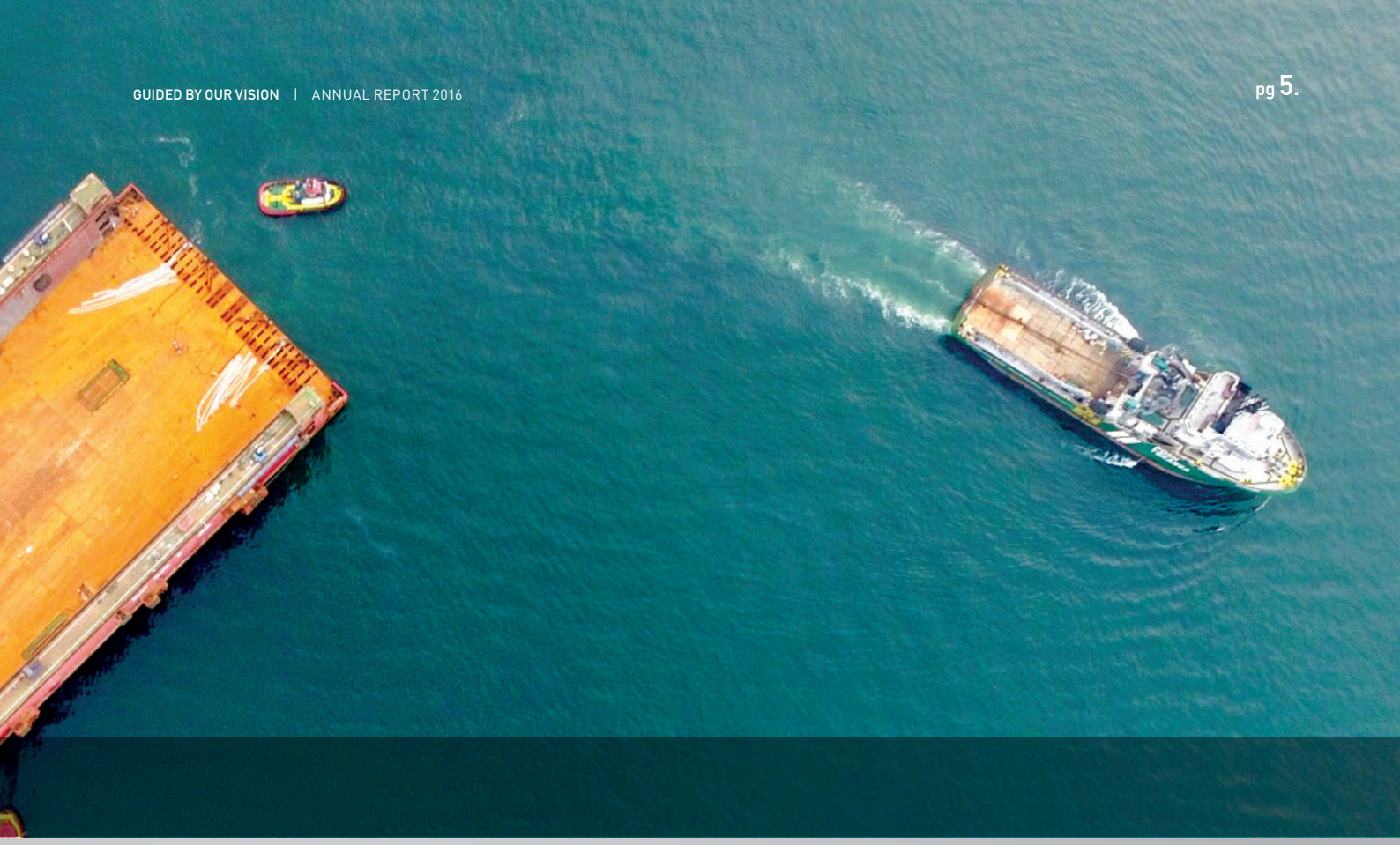
- Launched Initial Public Offering to strong institutional and retail support – IPO offering was five times subscribed
- Admitted to the Mainboard of the Singapore Exchange and commenced trading
- Secured contract with Petrobras for the 750-pax POSH Xanadu SSAV – one of the largest purpose-built floatels globally

2013

- Awarded transportation and installation contract for Icthys FPSO and the world's largest semi-submersible platform - the Ichthys Central Processing Facility
- Awarded public licence by the Maritime and Port Authority of Singapore for the provision of towage services in Singapore

2006

- Company incorporated as PACC Offshore Pte. Ltd.
- Entered the deepwater segment through orders for two 16,000 BHP DP2 AHTS
- Entered the oilfield services sector through orders for 16 8,000 - 10,000 BHP AHTS between 2006 and 2007



2015

- Further expansion into the Middle East with two LCVs deployed to Saudi Arabia

2016

- POSH Terasea successfully delivered one of the world's largest FPSOs, the Glen Lyon, from Ulsan, South Korea to Haugesund, Norway
- Secured contract with Technip Oceania Pty for the 750-pax POSH-Arcadia SSAV to provide accommodation support for the hook-up and commissioning phase of the Shell Prelude FLNG Project
- Long-term contracts secured with an oil major in Saudi Arabia for 12 vessels to be deployed in the Persian Gulf

2012

- Enhanced position in the offshore accommodation segment with an order of two 750-pax SSAVs between 2012 and 2013

2010

- Formed PSV fleet through the initial acquisition of two diesel electric PSVs and subsequent addition of six more PSVs

2007

- Acquired PSA Marine's offshore businesses comprising SEMCO Pte. Ltd., a leading FPSO towage operator; Maritime Pte. Ltd., a leading transportation and installation operator; and various ship-owning entities
- Company renamed PACC Offshore Services Holdings Pte. Ltd.

2008

- Entered the offshore accommodation segment with four accommodation vessels

CHAIRMAN'S LETTER TO SHAREHOLDERS



DEAR SHAREHOLDERS,

2016 continued to be a difficult and challenging year for the oil and gas services industry. The low and unstable oil prices over the past few years resulted in a significant reduction in offshore oil field development and expenditure. Coupled with the excessive oversupply of vessels across all segments of the offshore services industry, market conditions continued to remain depressed and the timing for its recovery uncertain.

Whilst the market's initial reactions to cuts in OPEC's oil production seemed positive, supply and demand balances have been slow to return to equilibrium with oil price remaining unstable. Long-term price stability will be necessary before any significant new capital investments that will drive the eventual recovery of the oil and gas services industry are undertaken.

The Group reported gross revenue of US$183.1 million and a net loss attributable to shareholders of US$371.4 million for the year. The net loss attributable to shareholders included a write-down of fixed assets of US$198.9 million and an impairment of goodwill of US$111.2 million. In view of this, the Board did not propose any dividend payment for the financial year ended 31 December 2016.

Nevertheless, we maintain an unwavering commitment to deliver long-term value for our shareholders. During the year, the management remained focused on maximising vessel utilisation and managing down costs whilst ensuring the highest quality of service to our customers. The Group generated positive net operating cash flow of US$38.2 million and maintained a strong balance sheet to weather the uncertainty ahead.



Through these challenging times, the Group continues to be guided by our vision to be the best-in-class service provider and our customers' partner of choice. Our high levels of operational efficiency and safety standards have enabled the Company to continue to win significant projects in a difficult and very competitive market.

While focusing on growing revenue, the Group will continue to make adjustments to our cost base to align with new market conditions. Salaries of management staff were frozen for the third consecutive year while vessel operating costs such as crewing, procurement and travelling were reduced.

Through these challenging times, the Group continues to be guided by our vision to be the best-in-class service provider and our customers' partner of choice. Our high levels of operational efficiency and safety standards have enabled the Group to continue to win significant projects in a difficult and very competitive market.

Last year, the Group announced the contract awards for towing, positioning and providing offshore accommodation for the hook-up and commissioning phase of Shell's Prelude Floating Liquefied Natural Gas ("**FLNG**") platform, the world's largest offshore facility and approximately the size of four football fields.

The Group also secured long-term charters for 12 vessels with an oil major in the Kingdom of Saudi Arabia. As at the end of 2016, two vessels have been delivered and the remaining 10 vessels will be progressively delivered over 2017. This marks the Group's successful expansion into a new region and the extension of our operational footprint.

These significant contract wins despite the tough market conditions are encouraging signs that our customers recognise POSH's operational, safety and technical excellence. The successful execution of these prestigious projects will strengthen the Group's reputation as an industry leader and enhance our brand name globally.

The Board and management will continue to review and strengthen our operational and marketing strategies to manage through this current challenging period and invest selectively to position the Group for future growth.

On behalf of my fellow Board members, I wish to convey our appreciation to our loyal shareholders and customers for your continued support and trust in the team.

To the staff and management, thank you for your steadfast dedication shown. Together, I am confident that the Group shall emerge stronger from this challenging market.

KUOK KHOON EAN
CHAIRMAN

CEO'S REVIEW OF OPERATIONS

DEAR FELLOW SHAREHOLDERS,

Our industry endured another difficult year in 2016. Across the sector, offshore operators were impacted by further reduction in capital investment from oil companies. Many also faced increased pressure to consolidate or recalibrate their balance sheets.

As we enter the new year, the macroeconomic and geopolitical context in which we operate remains uncertain. While there are early signs pointing to a stabilisation of oil prices, it would be premature to interpret this as a sign of recovery, especially when the longer term impact of OPEC's production cut is yet to be determined.

Against this turbulent backdrop, POSH remained focused on enhancing our sound operating fundamentals, while taking active steps to further improve cost efficiency. This has kept us resilient amid the downturn and set us apart from our competitors. At the same time, the professional development of our staff and their safety stayed a top priority as we position for the eventual recovery in our sector.

Against this turbulent backdrop, POSH remained focused on enhancing our sound operating fundamentals, while taking active steps to further improve cost efficiency. This has kept us resilient amid the downturn and set us apart from our competitors.

MAINTAINING BUSINESS RESILIENCE AMID DIFFICULT CONDITIONS

Revenue decreased by 35% year-on-year in FY2016 to US$183.1 million. This was driven predominantly by the adverse market conditions, which had a negative impact on charter and utilisation rates across our four major business divisions. Correspondingly, gross profit fell 91% to US$5.0 million.

The net loss attributable to shareholders of US$371.4 million for the year was primarily attributable to the impairments on fixed assets and goodwill of US$310.1 million. The impairments reflect prevailing market conditions, which affected the entire industry, as asset valuations continued to come under pressure. Excluding the impairments, net loss attributable to shareholders was US$61.3 million.

Given the depressed market conditions, we have focused our efforts on driving utilisation rates that will generate positive cash flow. In FY2016, we reported a positive net operating cash flow of US$38.2 million, affirming the health of our underlying operations.



OUR OPERATIONAL EXCELLENCE CONTINUES TO DIFFERENTIATE US

Operational excellence underpins our work at POSH. This uncompromising pursuit has enabled us to continue to win new contracts and expand our geographical footprint amid intense competition.

One major achievement in 2016 was to be contracted for the landmark Shell Prelude Floating Liquefied Natural Gas ("**FLNG**") platform. Bigger than the combined size of four football fields, Prelude is the largest offshore facility ever constructed. These secured charters, commencing in 2017, included the deployment of five vessels to tow the Prelude from South Korea to Australia and position it; and the provision of accommodation support for the hook-up and commissioning phase in Australia by our 750-pax Semi-Submersible Accommodation Vessel ("**SSAV**") POSH Arcadia.

The Offshore Accommodation ("**OA**") division also saw POSH Xanadu secure an extension in 2016 to continue supporting Petrobras' production activities in the Campos Basin. Our continued partnership with Petrobras followed accolades received during her maiden contract in 2015, recognising her as the only floatel that achieved close to 100% record for gangway connectivity in rough weather.

These wins cement our reputation as a best-in-class operator and demonstrate the soundness of our strategy to diversify our operations across the offshore services value chain beyond Offshore Supply Vessels ("**OSV**").

Besides services diversification, our decision to diversify geographically, particularly into the Middle East, also bore fruit.

Since our entry into the Kingdom of Saudi Arabia in January 2016, we have managed to secure long-term contracts for 12 vessels with an oil major there. These contracts to support maintenance activities in the Persian Gulf are firm contracts



CEO'S REVIEW OF OPERATIONS

with built-in extensions, involving both existing vessels and specially commissioned newbuilds. The 10 planned newbuilds will be progressively delivered over 2017.

In Qatar, we also added an OSV to our existing fleet for a five-year charter. These wins for the OSV division are laudable given increasingly intense competition in this industry segment and we are confident that our presence in the Middle East will continue to grow.

DRIVING COST EFFICIENCY TO NAVIGATE THE CURRENT DOWNCYCLE

On top of efforts to maximise returns, POSH has been conscientiously pursuing cost reduction initiatives across our operations, with the Cost Efficiency Committee set up in 2015 to lead this effort.

Initiatives undertaken in 2016 included continuing to freeze salaries for senior management and all employees onshore and offshore and further reducing operating expenses across key areas. In the area of crewing, we also made tough decisions to rationalise headcount.

Our systematic efforts to drive productivity and lower costs delivered significant savings over the past year. These measures, while painful, are necessary to enhance our resilience to weather the downturn and enable us to redistribute resources to other pockets of opportunity for long-term growth.

OUR PEOPLE ARE OUR MOST VALUED ASSET AND REMAIN OUR PRIORITY

In executing the cost rationalisation initiatives, POSH has not cut back on the premium we place on safety. Our sustained investment in Health, Safety and Environment ("**HSE**") programmes stems from the imperative to keep our employees safe as they undertake oftentimes complex and challenging operations. This in turn reinforces POSH's edge as a reliable service provider.

In 2016, we held our second annual Safety Day where the management addressed the organisation on



common potential hazards both onshore and offshore and re-emphasised the importance of safety. Employees were required to customise their own safety pledges citing the actions they would commit in upholding safety standards.

In addition to the above, we started the Supervising for Safety ("**SFS**") course, a curriculum jointly developed with Shell, to inculcate self-awareness and pro-activeness in improving safety practices. A total of six sessions were held for 250 onshore staff between June and November 2016. Moving forward, the SFS course will be extended to all offshore Senior Officers.

We also understand that our ability to deliver continued excellence rests on maintaining a strong core of leaders. Earlier this year saw the announcement of senior management changes, with former Chief Operating Officer Lee Keng Lin appointed Deputy Chief Executive Officer, and former Deputy Chief Financial Officer Michael Lim Han Boon appointed Chief Financial Officer ("**CFO**") as Thai Kum Foon took on the Group CFO role at our parent Group, Kuok (Singapore) Limited. These changes reflect POSH's effort in ensuring a healthy pipeline of leaders and in turn the longer term sustainability of our business.

POSITIONING FOR EVENTUAL RECOVERY TO DELIVER LONG-TERM, SUSTAINABLE VALUE

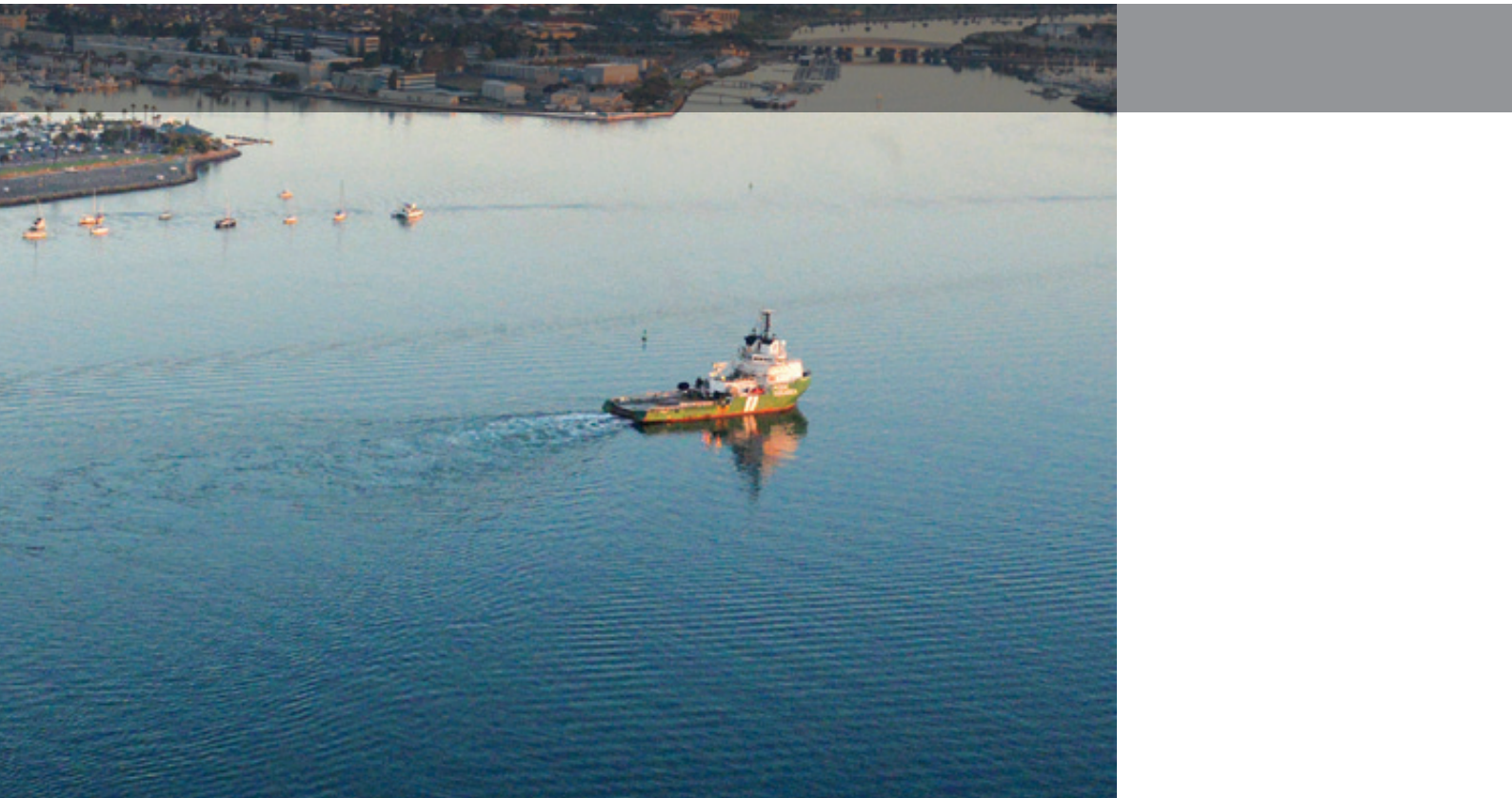
Currently, oil majors remain cautious about increasing capital expenditure. While we continue to anticipate a recovery from this downturn, time will be needed before any positive impact flows through from our clients to our sector.

We have aligned the organisation in delivering clear strategic goals – maximising vessel utilisation as long as it generates positive cash flow; exercising fiscal prudence without compromising on our fundamentals of operational excellence, safety and people development; and continuing to approach growth opportunities with rigour to balance current operational concerns with future prospects as we stay committed to delivering long-term value to shareholders.

Our disciplined capital management and strong balance sheet position us well to ride out the storm, especially as oil majors become increasingly selective about partnering with financially solvent operators. As at 31 December 2016, we had a net gearing of 1.0 times, with approximately US$282.9 million in undrawn bank lines. In the year ahead, we will be taking delivery of 14 vessels with remaining payments approximating US$85.6 million, the majority of which are already contracted for work.

In closing, I would like to assure you that the POSH you see today is a resilient and operationally sound business, with a highly experienced team that has successfully weathered multiple business cycles. With your continued support, we will emerge from this period better, safer, and stronger.

Captain Gerald Seow
Chief Executive Officer



BOARD OF DIRECTORS

MR. KUOK KHOON EAN
Chairman and Non-Executive Director

Mr. Kuok Khoon Ean is the Chairman of Kuok (Singapore) Limited ("**KSL**"), a Director of Kerry Group Limited and Kerry Holdings Limited. He is a Non-Executive Director of Wilmar International Limited, a company listed on the Singapore Exchange ("**SGX**"). He is also an Independent Non-Executive Director of The Bank of East Asia, Limited and IHH Healthcare Berhad, which are listed on the Hong Kong Stock Exchange and Bursa Malaysia respectively.

Mr. Kuok holds a Bachelor of Economics degree from Nottingham University, United Kingdom. Mr. Kuok was appointed Chairman and Non-Executive Director of the Company on 18 July 2013 and was last re-elected on 27 April 2016.

MR. WU LONG PENG
Non-Executive Director

Mr. Wu Long Peng is an Executive Director of KSL, PCL and Malaysian Bulk Carriers Berhad ("**MBC**") (a company listed on Bursa Malaysia). He has more than 30 years of experience in finance and corporate affairs. Mr. Wu is also a Non-Executive Director of Gamma Communications Limited, a company listed on AIM in the United Kingdom.

Mr. Wu is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Institute of Singapore Chartered Accountants. He was first appointed as a Director of the Company on 28 January 2008 and was last re-elected on 27 April 2015.

MR. SEOW KANG HOE, GERALD
Chief Executive Officer and Executive Director

Mr. Gerald Seow has more than 40 years of experience in the shipping industry, including 15 years of sea-going experience and more than 20 years of senior management experience.

He began his career at Neptune Orient Lines Limited ("**NOL**") in 1971 and he remained with the NOL group until 1996. From 1986 to 1996, he came ashore and served in various senior management positions within the NOL group in Singapore and the United States of America.

In 1996, he joined Pacific Carriers Limited ("**PCL**") and was instrumental in developing the liner shipping business, the offshore marine services business (under our Company since 2006) and the shipbuilding business for PCL and KSL.

Mr. Seow holds a Certificate of Competency as Master of a Foreign-Going Ship from the Ministry of Transport of New Zealand and a Degree of Master of Science in Shipping, Trade and Finance from The City University of London. He was appointed as an Executive Director of the Company on 7 March 2006 and was last re-elected on 27 April 2016.

DATO' JUDE PHILOMEN BENNY
Lead Independent Director

Mr. Jude Benny is currently a partner at Joseph Tan Jude Benny LLP and has been a lawyer in private practice with the same firm for almost 30 years since 1988. Mr. Benny is also an Independent Director of BW LPG Limited, a company listed on the Oslo Stock Exchange. He was a director of Singapore Maritime Foundation from 2004 to 2011 and also a director of the Maritime & Port Authority of Singapore from 2006 to 2015.

Mr. Benny holds a Bachelor of Laws (Honours) from the London University. In recognition of his public service in Singapore, he was conferred the Public Service Medal in 2013. He was appointed as a Director of the Company on 1 September 2013 and was last re-elected on 27 April 2016.

MR. MA KAH WOH
Independent Director

Mr. Ma Kah Woh was a senior partner of KPMG Singapore, where he was in charge of the Audit & Risk Advisory Practice and Risk Management function for many years until his retirement in September 2003.

Mr. Ma currently sits on the Boards of Mapletree Investment Pte Ltd and Mapletree Greater China Commercial Trust Management Ltd (the Manager of Mapletree Greater China Commercial Trust, a real estate investment trust listed on the SGX), and StarHub Ltd (a company listed on the SGX). He also sits on the Board of Trustees of the National Heritage Board.

Mr. Ma is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Member of the Institute of Singapore Chartered Accountants. He was appointed as a Director of the Company on 1 September 2013 and was last re-elected on 14 April 2014.

DATO' AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID
Independent Director

Mr. Ahmad Sufian has more than 40 years of experience in the shipping industry. He was the chairman of Global Maritime Ventures from 1996 to 2003, country manager of American President Lines from 1989 to 1995, director/general manager of Perbadanan Nasional Shipping Line from 1982 to 1989 and manager of Malaysian International Shipping Corporation from 1977 to 1982.

He is currently also the Independent Non-Executive Chairman of Malaysian Bulk Carriers Berhad, GD Express Carrier Berhad and an Independent Non-Executive Director of PPB Group Berhad, each of which is listed on Bursa Malaysia.

Mr. Sufian obtained a Certificate of Competency as Master of a Foreign-Going Ship in the United Kingdom in 1975 and attended the Advanced Management Program at Harvard Business School in 1993. He is a Fellow of the Chartered Institute of Logistics and Transport. He was appointed as a Director of the Company on 9 January 2009 and was last re-elected on 27 April 2015.

MR. WEE JOO YEOW
Independent Director

Mr. Wee Joo Yeow was the Managing Director and Head of Corporate Banking in Singapore of United Overseas Bank ("**UOB**"). Mr. Wee has more than 30 years of corporate banking experience. He joined UOB in 2002. Prior to that, Mr. Wee was with Overseas Union Bank ("**OUB**") from 1981 to 2001 and was last appointed as the Executive Vice President and Head of Marketing, Sales, Credit and Origination in Corporate Banking of OUB before its merger into UOB.

Mr. Wee is also currently an Independent Director of Oversea-Chinese Banking Corporation Limited, Frasers Centrepoint Limited and Great Eastern Holdings Limited (each a company listed on the SGX), and Mapletree Industrial Trust Management Ltd (the manager of Mapletree Industrial Trust, a real estate investment trust listed on the SGX).

Mr. Wee graduated from the University of Singapore with a Bachelor of Business Administration (Honours) degree and New York University with a Master of Business Administration. He was first appointed as a Director of the Company on 19 December 2013 and was last re-elected on 14 April 2014.



SENIOR MANAGEMENT



MR. LEE KENG LIN
Deputy Chief Executive Officer
Divisional Director
Harbour Services &
Emergency Response

Mr. Lee was promoted to Deputy Chief Executive Officer on 1 January 2017 as part of the Group's ongoing succession planning, having served as Chief Operating Officer from 2014 to 2016. He is responsible for overseeing day-to-day operations for the Group and works closely with the Chief Executive Officer to grow the Group's business and drive performance measures in all operational aspects.

Mr. Lee has more than 10 years of experience in the offshore marine industry, and has been with the Group since 2007. Mr. Lee was part of the team that led the acquisition of PSA Marine's offshore business in 2007 and has been instrumental in the development and operations of various joint ventures and new business divisions. Prior to this, he was employed by PSA International as its corporate and business development manager, where he was responsible for business development and charters of harbour tugs and offshore support vessels.

Mr. Lee graduated with a First Class Honours in Engineering from the National University of Singapore, and was on the Vice Chancellor's List. He is also a CFA Charterholder.

MR. MICHAEL LIM
Chief Financial Officer

Mr. Lim was appointed Chief Financial Officer on 1 January 2017. He oversees the Group's finance functions, including corporate finance, treasury, risk management, capital management and investor relations.

Mr. Lim has more than 20 years of experience in finance and controllership functions in various corporate and government sectors, including Aurecon Asia Pacific Group, IM Flash LLP and the Central Provident Fund Board, and had previously served as POSH's Deputy Chief Financial Officer and Financial Controller.

Mr. Lim is a member of the Institute of Chartered Accountants of Singapore.

MR. CHAI ULVA
Divisional Director
Offshore Accommodation

Mr. Chai is the Divisional Director of Offshore Accommodation, where he has been instrumental in the development and expansion of the business.

Mr. Chai has more than 15 years of experience in the offshore marine industry. He was a manager with PSA Marine Pte Ltd from 2000 to 2006, handling business development and overseas charters, and served as a director in PSA Marine's joint venture company in Fuzhou, China. From 2006 to 2007, Mr. Chai was an assistant general manager in PSA Marine's offshore business. Since our acquisition of the business in 2007, Mr. Chai has served the Group as an assistant general manager and general manager.



MR. SIM HEE PING
Divisional Director
Fleet Services & Fleet HSEQA

Mr. Sim heads our fleet management division. He is responsible for the overall technical management, safety and training of the Group's offshore crew.

Mr. Sim has more than 35 years of experience in the shipping industry. Prior to joining the Group in 2009, he held various positions with Neptune Orient Lines Limited ("**NOL**") from 1977 to 2006. He started out as a cadet engineer in 1977 and worked his way up to become a chief engineer in 1987, taking care of the equipment and machinery on board NOL ships. Between 1987 and 1989, he was seconded to Jurong Shipyard as a ship repair manager. He was also a technical superintendent from 1989 to 1998 and a technical director from 1998 to 2006, in charge of managing NOL vessels. From 2006 to 2008, he was seconded to Neptune Shipmanagement Services Pte Ltd, the ship management arm of NOL, as Managing Director.

MR. NG ENG KHIN
Divisional Director
Transportation & Installation (Deepwater)

Mr. Ng is the President of POSH Terasea Offshore Pte. Ltd., the Group's specialist offshore service contractor joint venture. He has held the position since POSH Terasea's formation and oversaw the subsequent injection of the Group's entire Transportation & Installation (Deepwater) business into the joint venture.

Mr. Ng has more than 35 years of experience in the offshore marine industry. Mr. Ng was involved in PSA Marine's offshore business prior to our acquisition of the business in 2007. He was a project superintendent in charge of design, project operation and execution from 1977 to 1986, a senior manager from 1985 to 2001 and a general manager from 2001 to 2007 specialising in project management, operation and execution of complex transportation and installation projects, as well as being responsible for sales, marketing and development. He has been instrumental in the development of the Transportation & Installation (Deepwater) business of the Group.

MR. TEO KIM LENG KELVIN
Divisional Director
Offshore Supply Vessels
Transportation & Installation (Shallow Water)

Mr. Teo is the Divisional Director of Offshore Supply Vessels ("**OSV**") and Transportation & Installation (Shallow Water). His key responsibility is to oversee the growth and development of the two divisions.

Mr. Teo has more than 10 years of experience in the offshore marine industry. From 2006 to 2009, he was a marketing manager, and later promoted to deputy general manager with POSH Semco. Upon promotion, his responsibilities included exploring business opportunities in new markets and management of the chartering team. In 2010, he was promoted to general manager of the Deepwater Services Division and later to senior general manager in 2014. He oversaw the growth of the OSV fleet at POSH and worked closely with the Director and senior management in overseeing the chartering and operation team.


PWL - 1501



FY2016 REVENUE

US$183.1 MILLION

NET OPERATING CASH FLOW

US$38.2 MILLION

EBITDA

US$23.9 MILLION

RESILIENCE

THROUGH SOUND FUNDAMENTALS AND OPERATIONAL EXCELLENCE

BUSINESS DIVISIONS

OFFSHORE SUPPLY VESSELS

Our Offshore Supply Vessels ("**OSV**") division has one of the youngest fleet of mid-water and deepwater Anchor Handling Tug Supply ("**AHTS**") vessels and Platform Supply Vessels ("**PSV**"). These multifunctional vessels undertake towing and anchor handling of drilling rigs, as well as provide logistic support during the exploration, field development, construction and production phases of the oil and gas life cycle.

The vessels in our fleet are equipped with advanced Dynamic Positioning ("**DP**") technology, which enables safe and efficient operations in close quarters. These new generation vessels are also designed with fuel-efficient diesel electric propulsion and possess Clean Design and Green Passport notation, which reduces and limits the vessels' combustion machinery emissions and accidental sea pollution. Our OSV division operates:

- AHTS of up to 200 ton bollard pull providing multi-role services during drilling such as towing and positioning of drilling rigs, as well as transporting drilling materials and other equipment.
- PSVs that transport drilling materials and supplies to drilling rigs and offshore production platforms as well as pipes and other materials for the construction of marine structures or pipelines.

With our young and modern fleet, we are committed to serving our global network of customers, including super majors and national oil and gas companies. We continue to uphold our proven international track record, operating across Asia Pacific, Africa, Middle East and Latin America.



OFFSHORE ACCOMMODATION

The Offshore Accommodation ("**OA**") division is our fastest growing business unit, operating a fleet of vessels that delivers a wide range of accommodation and "walk-to-work" solutions for large numbers of offshore professionals involved in the construction and maintenance of offshore oil field structures and platforms.

We are focused on providing a variety of high-specification offshore accommodation vessels that cater to the different needs of our customers. Our deepwater OA fleet comprises two comfort-class DP3 semi-submersible accommodation platforms that are the largest in the world. These vessels boast sophisticated machinery redundancy and platform stability, offering comfortable and safe living, first class crew welfare amenities and "walk-to-work" capability. They are also capable of operating in harsh weather conditions.

Our shallow water OA fleet consists of four units of our unique DP2 238-pax diesel electric "E-class" accommodation vessels and three units of conventionally moored vessels. In 2017, three units of Multi-Purpose Supply Vessels ("**MPSV**") that are capable of supporting subsea work will be added to our existing fleet.

TRANSPORTATION & INSTALLATION

Our Transportation & Installation ("**T&I**") division supports marine contractors worldwide in the construction and maintenance of oilfield infrastructure and pipelines.

In shallow waters, the division operates a fleet of ocean towing tugs and Anchor Handling Tugs ("**AHT**") of up to 8,000 BHP, which are primarily engaged to support pipelay and platform construction work. In addition, our shallow water T&I department operates submersible barges (up to 30,500 dwt) for float-over or launching operations of large marine structures and ballastable flat top barges ranging from 250 to 330 feet, as well as tugs for transportation of construction materials and subsea pipes.

As for deepwater operations, our specialist offshore service contractor joint venture, POSH Terasea, operates the largest deepwater AHT fleet globally, comprising tugs of 150 to 200 ton bollard pull each. These ocean-going tugs are designed with high bollard pull and large fuel tanks that enable them to perform large tows, such as for Floating Production Storage and Offloading ("**FPSO**") vessels across long distances economically, without a need for multiple refuelling stops. Leveraging on our full suite of vessels, POSH is a leading operator in the deepwater T&I space, having successfully completed many demanding ocean towage projects over the past decade.



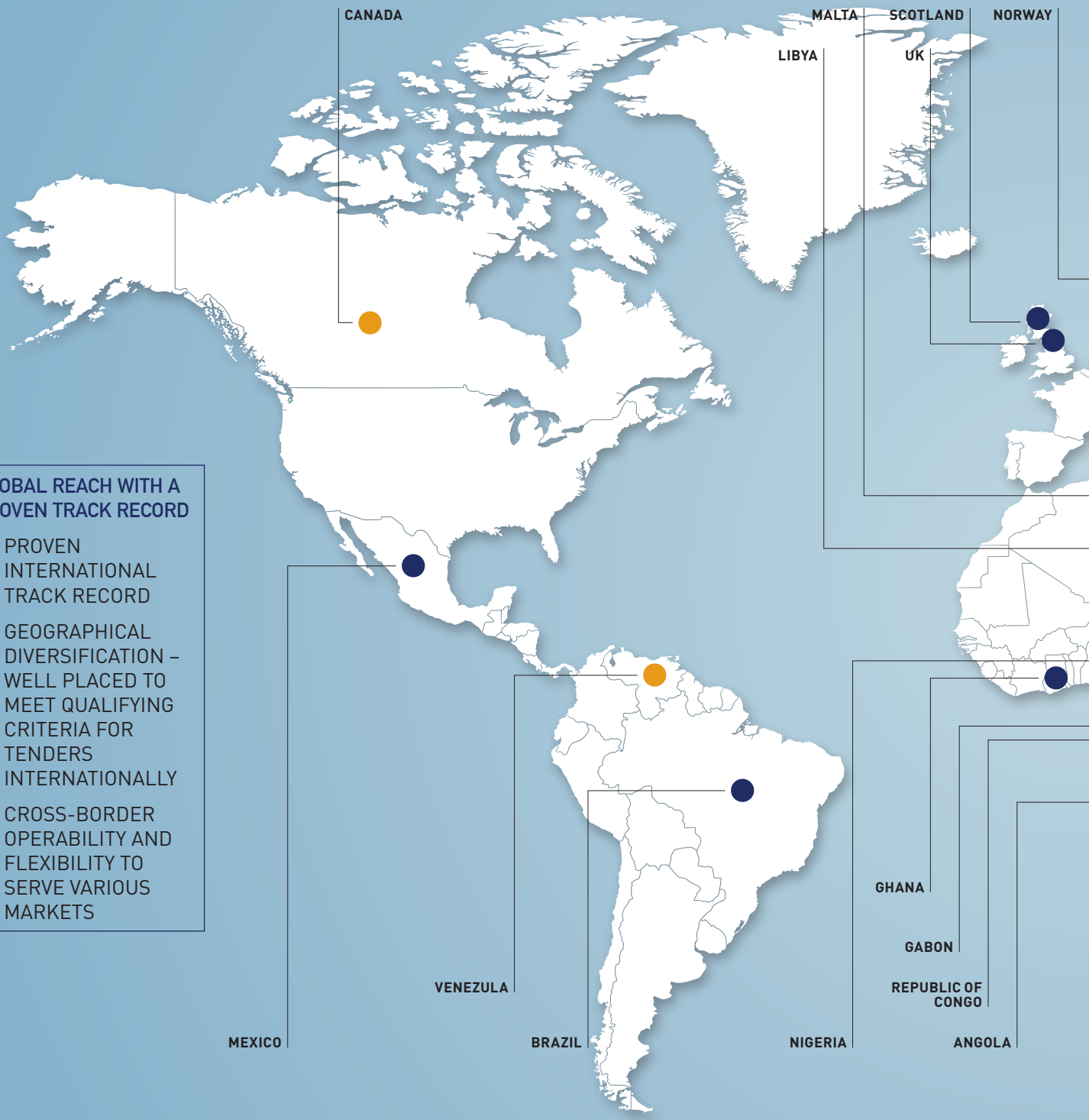


HARBOUR SERVICES & EMERGENCY RESPONSE

Our Harbour Services ("**HS**") department has been operating for over 10 years. Together with our joint venture Pacific Workboats, we own, operate and manage a fleet of harbour tugs and heavy lift crane barges, which are actively engaged in supporting harbour towage operators and providing heavy lift services to shipyards. In November 2013, we were granted a public towing licence by the Maritime and Port Authority of Singapore for the provision of towage services to vessels within the limits of and the approaches to the port of Singapore.

Our Emergency Response ("**ER**") department provides worldwide emergency assistance to vessels that require support after encountering distress such as due to collision, oil spillage, grounding or fire damage. We are one of the two main offshore support vessel operators in the world to offer such emergency response services, which include salvage, wreck removal, emergency rescue and oil spill response services.

GEOGRAPHICAL PRESENCE

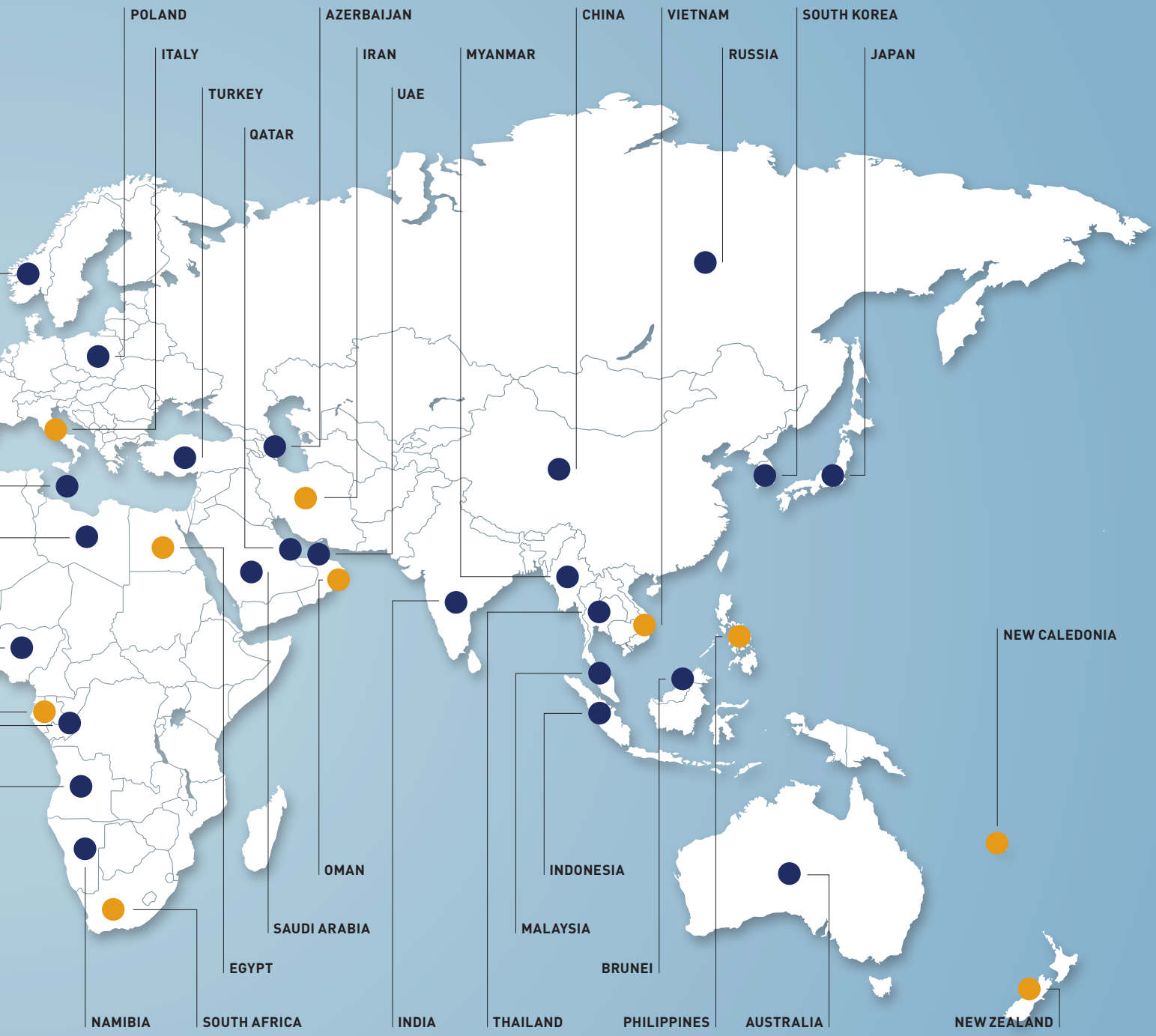


GLOBAL REACH WITH A PROVEN TRACK RECORD

- PROVEN INTERNATIONAL TRACK RECORD
- GEOGRAPHICAL DIVERSIFICATION – WELL PLACED TO MEET QUALIFYING CRITERIA FOR TENDERS INTERNATIONALLY
- CROSS-BORDER OPERABILITY AND FLEXIBILITY TO SERVE VARIOUS MARKETS

● Project over the years

● Ongoing projects


POLAND
ITALY
TURKEY
QATAR
AZERBAIJAN
IRAN
UAE
MYANMAR
CHINA
VIETNAM
RUSSIA
SOUTH KOREA
JAPAN
NEW CALEDONIA
OMAN
SAUDI ARABIA
EGYPT
NAMIBIA
SOUTH AFRICA
INDIA
THAILAND
INDONESIA
MALAYSIA
BRUNEI
PHILIPPINES
AUSTRALIA
NEW ZEALAND

FINANCIAL HIGHLIGHTS

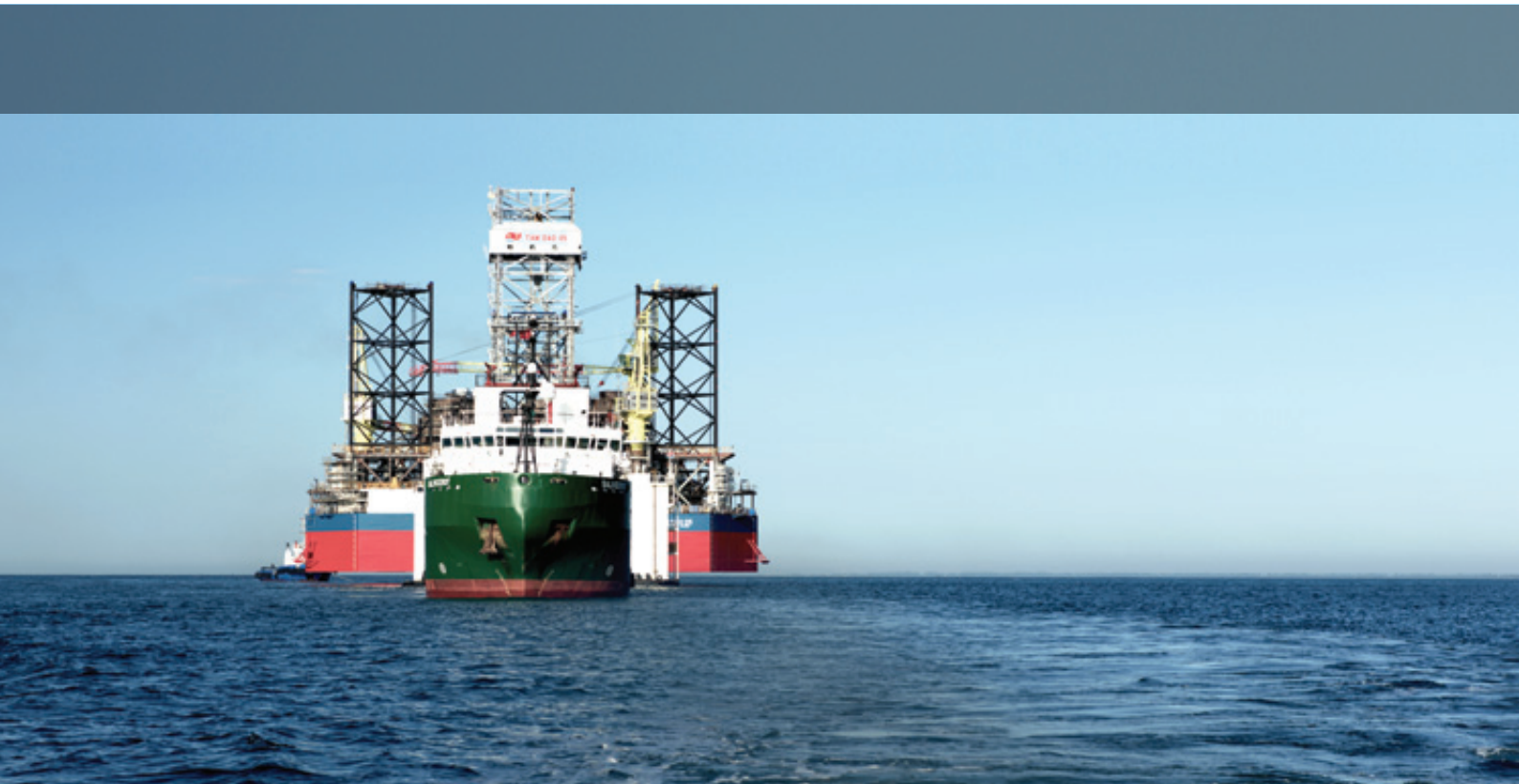
Financial Performance (US$'000)	FY2012	FY2013	FY2014	FY2015	FY2016
Revenue	242,966	237,263	234,037	280,820	**183,100**
Gross profit	61,074	72,391	57,204	58,026	**4,985**
Net profit/(loss) after tax[1]	53,520	73,371	53,243	(130,959)	**(371,448)**
EBITDA	104,861	127,271	108,245	90,393	**23,886**
EBITDA margin	43.2%	53.6%	46.3%	32.2%	**13.0%**

Financial Position (US$'000)	FY2012	FY2013	FY2014	FY2015	FY2016
Total shareholders' equity[1]	662,514	864,295	1,213,764	1,061,043	**688,332**
Total liabilities	736,633	909,226	657,571	672,567	**817,327**
Total assets	1,399,147	1,773,521	1,871,335	1,733,610	**1,505,590**
Fixed assets	768,741	1,037,610	1,113,689	1,278,147	**1,184,927**
- Vessels in use	601,932	635,961	793,798	1,020,288	**1,070,299**
- Vessels under construction	166,247	400,341	318,132	256,221	**113,122**
- Other assets	562	1,308	1,759	1,638	**1,506**
Net current (liabilities) / assets	16,572	(388,819)	(140,632)	(496,192)	**(206,767)**
Net debt	524,808	796,874	548,332	545,951	**693,274**
Net debt/equity	79.2%	92.2%	45.2%	51.5%	**100.7%**

Financial Indicators	FY2012	FY2013	FY2014	FY2015	FY2016
Return on shareholders' equity	8.1%	8.5%	4.4%	(12.3%)	**(54.0%)**
Return on assets	3.8%	4.1%	2.8%	(7.6%)	**(24.7%)**
Net asset value per share (in US cents)	55.16	58.30	66.69	58.53	**37.98**
Basic earnings per share (in US cents)	4.46	6.02	3.10	(7.20)	**(20.50)**
Diluted earnings per share (in US cents)	4.33	4.95	3.10	(7.20)	**(20.50)**

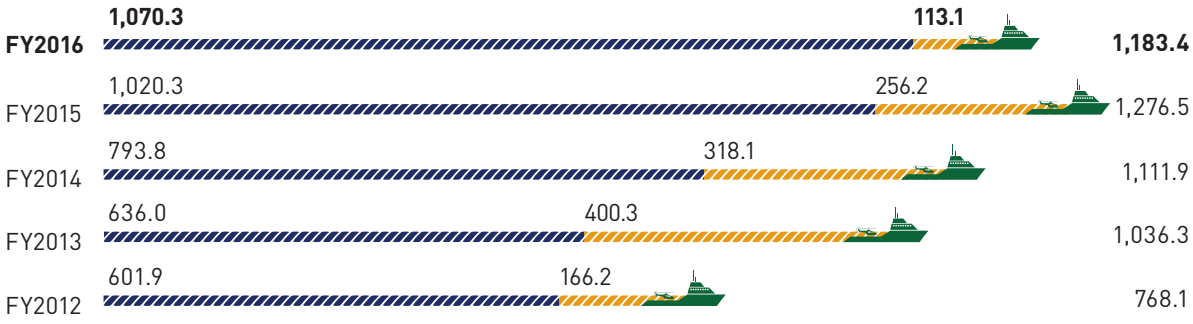
Notes

[1] Attributable to shareholders of the Company



TOTAL VESSELS (US$ MILLION)

	FY2012	FY2013	FY2014	FY2015	**FY2016**
Vessels in use	601.9	636.0	793.8	1,020.3	**1,070.3**
Vessels under construction	166.2	400.3	318.1	256.2	**113.1**
Total	768.1	1,036.3	1,111.9	1,276.5	**1,183.4**



● Vessels in use ● Vessels under construction

SEGMENT RESULTS (US$ MILLION)

	REVENUE US$'m	GROSS PROFIT/(LOSS) US$'m	VESSELS IN USE US$'m
OSV			
FY2016	**74.2**	**(12.4)**	**406.9**
FY2015	136.2	13.1	569.6
FY2014	139.5	30.5	451.6
OA			
FY2016	**72.0**	**14.6**	**554.5**
FY2015	93.2	36.0	352.8
FY2014	29.3	10.4	250.9
T&I			
FY2016	**16.0**	**(1.6)**	**82.4**
FY2015	27.3	4.6	75.4
FY2014	41.4	13.6	81.7
HSER			
FY2016	**20.9**	**4.4**	**26.5**
FY2015	24.1	4.3	22.5
FY2014	23.8	2.7	9.6



FY2016 TOTAL REVENUE US$'m
US$183.1

FY2016 GROSS PROFIT US$'m
US$5.0

FY2016 VESSELS IN USE US$'m
US$1,070.3







"ONE TEAM, ONE GOAL – ZERO HARM" POLICY

FLAGSHIP TRAINING PROGRAMME FOR CADETS

ESTABLISHED SINCE 2008

A SAFE, HEALTHY AND PROGRESSIVE WORKPLACE

OPERATIONS & FINANCIAL REVIEW


PACC OFFSHORE SERVICES HOLDINGS LTD.

The offshore and marine services sector faced another turbulent year in 2016, with increasing incidence of balance sheet distress and consolidation. While POSH was not immune to market conditions, our sound fundamentals enabled us to deliver resilient operational performance.

Our comparative strength was underpinned by our steadfast commitment to prudent financial management, safety and operational excellence, and human capital development. We operate a young and diverse fleet of more than 100 offshore vessels across four major business divisions, each serving a targeted segment of the value chain. This specialised yet complementary asset portfolio enables us to meet the diverse needs of our clients.

SOUND FUNDAMENTALS CONTINUED TO DRIVE OPERATIONAL RESILIENCE

OFFSHORE SUPPLY VESSELS ("OSV")

Despite the challenging market conditions, our OSV division extended its footprint in key growth markets and continued to secure long-term charters.

In 2016, we chartered two of our larger Anchor Handling Tug Supply ("**AHTS**") vessels to a repeat customer in Russia. This marked our fifth consecutive year working with this customer and is testament to the mutual trust we have built up over the years.

We expanded our presence in West Africa, with a long-term charter secured for our POSH Pelican Platform Supply Vessel ("**PSV**") in the Republic of Congo with an international oil major. With vessels deployed across Angola, Congo, Ghana and Namibia, we now have a total of nine OSVs serving this key region.

In addition, we managed to build upon our success in the Middle East by securing long-term charters for 12 vessels with an oil major in the Kingdom of Saudi Arabia. This included contracts for 10 specially commissioned newbuilds to be delivered over 2017. In Qatar, we added to our fleet for a repeat customer with a five-year charter for POSH Radiant. These contract wins in



the Middle East validates our strategy to diversify into growth markets to ensure longer-term returns.

These operational gains were offset by an increasingly competitive landscape and persistent oversupply in the OSV market. Revenue for the division decreased by 46% from US$136.2 million to US$74.2 million, as a result of lower utilisation and day rates. Correspondingly, the division registered a gross loss of US$12.4 million. In 2017, we will focus on key markets where we have a competitive edge and double our efforts to drive utilisation with positive cash flow.

OFFSHORE ACCOMMODATION ("OA")

Our OA division continued to validate POSH's diversified business strategy with charters won for its two high specification Semi-Submersible Accommodation Vessels ("**SSAV**") – the POSH Xanadu and POSH Arcadia.

POSH Xanadu won a one-year contract extension to support Petrobras' oil and gas production in the Campos Basin. Following a highly praised first campaign with the customer in 2015, she continued to impress with her performance by maintaining close to 100% record for gangway connection despite harsh weather conditions.

Another milestone was the appointment of POSH Arcadia to provide accommodation support for the hook up and commissioning phase of the world's largest Floating Liquefied Natural Gas ("**FLNG**") platform – the Shell Prelude. This is a technically challenging operation and being awarded this charter bolstered our credentials as best-in-class operators. This charter will commence in the later half of 2017.

We ended the year on a positive note with Brunei Shell awarding POSH the Best Vessel Operator title and naming POSH Endurance as the Best Vessel.

Due to depressed market conditions, revenue for the division decreased by 23% to US$72.0 million mainly on lower charter rates and utilisation for its shallow water vessels, as well as lower rates for POSH Xanadu upon its contract extension. The segment registered a gross profit of US$14.6 million. In the year ahead, we will focus on the smooth execution of secured projects to further differentiate POSH on the strength of our operational credentials.

TRANSPORTATION AND INSTALLATION ("T&I")

Our T&I division focused on major projects while maximising utilisation by targeting spot jobs and towages in between projects. In 2016, we executed a series of transportation projects with established contractors for offshore construction in Asia, including Thailand, India and Myanmar.

Our deepwater T&I specialist joint venture, POSH Terasea also successfully delivered the Petronas FLNG Satu – the world's first FLNG vessel. POSH was involved from the outset of this technically challenging project. With strong coordination with multiple partners, the team saw to the smooth and efficient towage from Okpo, South Korea to Bintulu, Malaysia.

In addition, POSH was specially commended by BP for setting up and observing rigorous standards when executing the highly demanding towage project for the Glen Lyon floating production, storage and offloading facility ("**FPSO**"). The

OPERATIONS & FINANCIAL REVIEW

15,000 nautical mile journey took three of our Anchor Handling Tugs ("**AHT**") 105 days, commencing from Ulsan, South Korea to Haugesund, Norway via the Cape of Good Hope.

The year 2017 will see us working on a few landmark projects. They include the towing and positioning of the Shell Prelude FLNG Platform, as well as the towing and installation of the INPEX FPSO and the INPEX Ichthys Central Processing Facility ("**CPF**") which is the world's largest semi-submersible platform.

In 2016, revenue for the division decreased by 41% to US$16.0 million primarily on lower charter rates and utilisation. As a result, the segment reported a gross loss of US$1.6 million. Moving forward, we will continue to deepen our expertise in higher-value segments such as deepwater activities so as to further enhance our market position.

HARBOUR SERVICES AND EMERGENCY RESPONSE ("HSER")

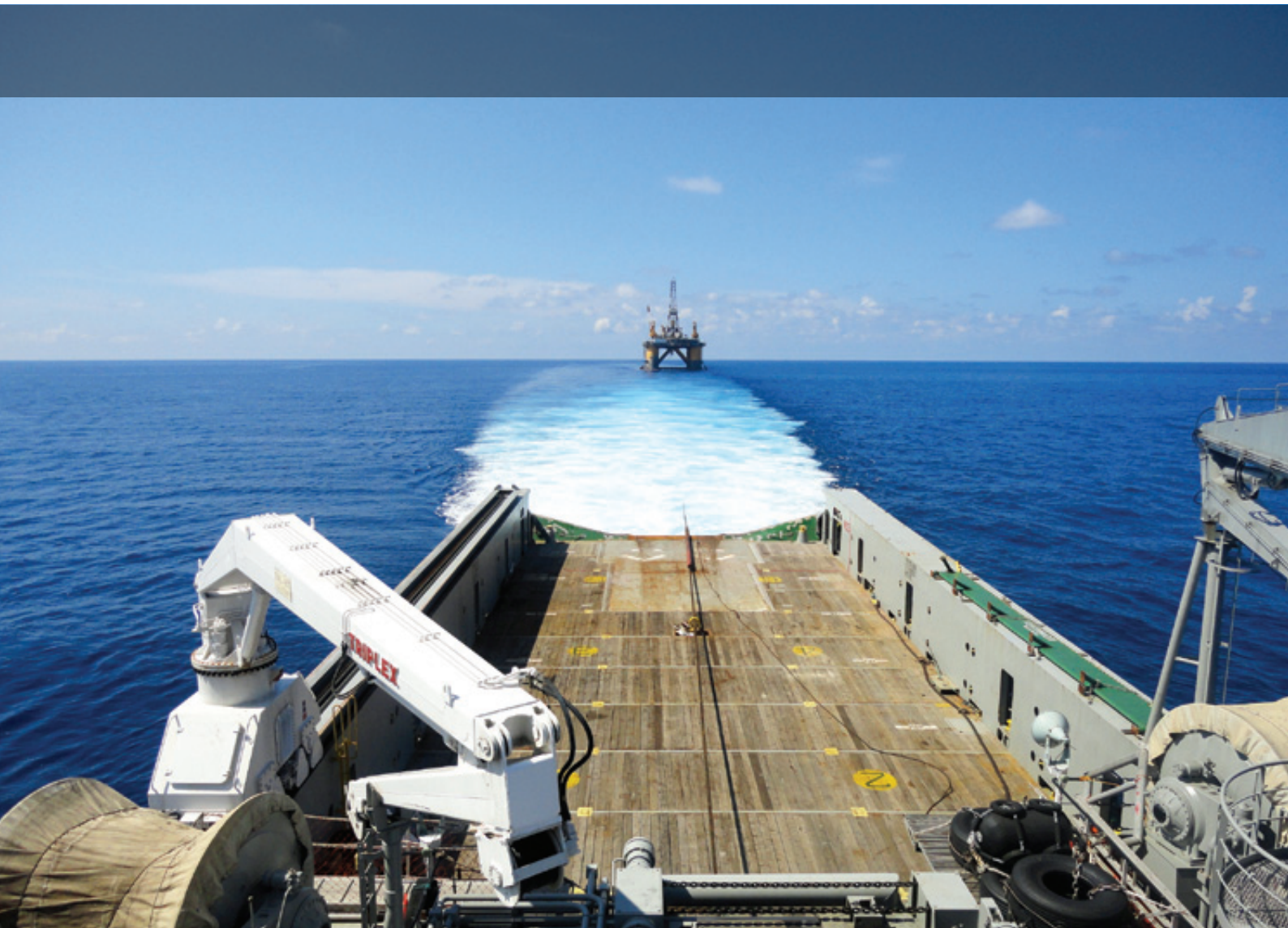
In 2016, our Harbour Services ("**HS**") section was awarded several long-term towage contracts ranging from one to three years. These included contracts from tanker companies and spot projects arising from the development of the Singapore port.

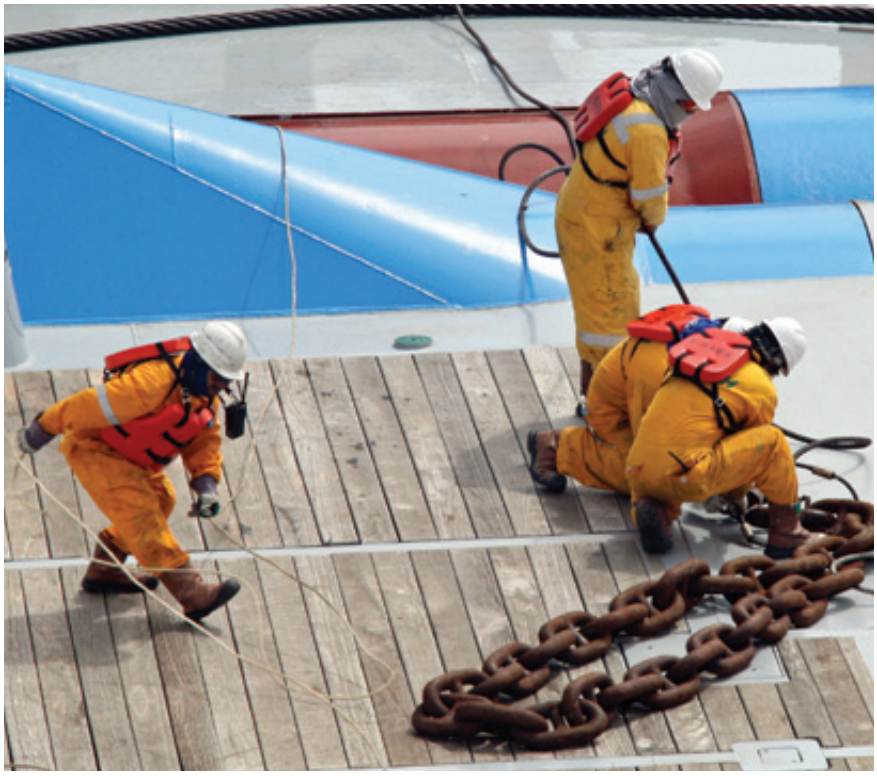
As a result of lower demand for salvage and oil spill clean-up jobs, our Emergency Response ("**ER**") division switched to providing diving services like hull cleaning and in-water services to ships calling on and transiting through the Singapore port.

Despite a 14% year-on-year decline in revenue to US$20.9 million in FY2016 mainly due to lower salvage revenue, the HSER division maintained gross profit at US$4.4 million. Moving forward, the division will seek to continue improving its market share.

MANAGING NEAR-TERM VOLATILITY

The ongoing oversupply of vessels and low oil prices created a challenging environment in 2016. This resulted in lower utilisation and charter rates across the four divisions. The Group recorded a revenue of US$183.1 million, down by 35% as compared to FY2015. Correspondingly, gross profit declined to US$5.0 million.





POSH made impairment charges of US$310.1 million on goodwill and assets for the year. This was reflective of the negative market conditions that affected the entire industry. As a result, the Group reported a net loss attributable to shareholders of US$371.4 million for FY2016.

Excluding the impact of the impairment charges, which are non-cash in nature, net loss attributable to shareholders for the period was US$61.3 million. The Group's earnings before interest, tax, depreciation and amortisation ("**EBITDA**") remained positive at US$23.9 million.

We remained mindful of the need to stay cost effective and continued our cost rationalisation drive in FY2016. Excluding the US$15.7 million in bad and doubtful debt written off or provided for, our general and administrative ("**G&A**") expenses decreased by 1% to US$27.6 million. This was notwithstanding the expansion of our office in the Kingdom of Saudi Arabia, a key growth market where we have made significant inroads in the year.

The Group's share of losses from joint ventures increased to US$13.8 million from FY2015 mainly due to lower contribution from POSH Terasea, resulting from a provision for doubtful debts and impairment of vessels across various entities.

Given the depressed market conditions that have affected the Group's performance, the Board of Directors believed it would be prudent to suspend dividend payments for FY2016.

Nevertheless, the financial position of POSH remains sound. The Group maintained a strong balance sheet for 2016 and generated positive net operating cash flow of US$38.2 million on the year.

The Group's gearing increased to 1.0 times from the previous year, primarily due to the impairment charges taken. Our net current liability stood at US$206.8 million as at 31 December 2016, a reduction from the corresponding period from the previous year. This was due to our refinancing of loan facilities and extending of facilities' tenor from five to seven years.

The Group's net asset value was US$688.3 million as at 31 December 2016. Fixed assets decreased by US$93.2 million due to vessels impairment, partially offset by payments for vessels under construction. The decrease in receivables was in line with the lower revenue resulting from lower utilisation and charter rates and provision for doubtful debts.

STAYING THE COURSE TO DELIVER LONG-TERM VALUE

Our young and diverse fleet, as well as our proven track record, continued to provide us a competitive edge amid the current downcycle. In the year ahead, we will take progressive delivery of another 14 vessels; 10 of them have already secured firm five plus two-year extension contracts for work.

Moving forward in 2017, POSH will continue to leverage its reputation for excellence, reliability, safety and professionalism to drive utilisation that generates positive cash flow. We also look forward to several milestone projects that will commence in 2017, notably for the Shell Prelude that will involve both our OA and T&I divisions. At the same time, we will stay prudent with our capital management and invest in pockets of opportunities for future growth.

We remain unwavering in our commitment to deliver long-term and sustainable value for all our stakeholders. The actions that we have taken and will continue to take will position us well to capitalise on the eventual recovery in our sector. With continued support from stakeholders, a deeply experienced Board of Directors and senior management at the helm, we believe POSH will emerge stronger from the downturn.

OUR PEOPLE
OUR COMMUNITY

OUR PEOPLE

At POSH, we believe that our people are our most valuable asset and the competitive advantage that underpins our track record of excellence. That is why we are committed to developing their potential to the fullest and ensuring a safe and inclusive working environment for all.

INVESTING IN OUR HUMAN CAPITAL

The success of our business rests heavily on having a highly skilled, disciplined and dedicated workforce. Despite challenges currently facing our sector, we are still investing in training and professional development to enhance the skillsets of our employees. This will boost our immediate competitiveness and ensure the continuity and sustainability of our business in the future.

In 2016, we continued our Cadetship Training Programme with approximately 40 new cadets from Singapore and the Philippines. Since its inception in 2008, this programme has enabled us to continually develop our own pool of quality officers and engineers who are technically adept and shares our values.

Over the past year, we also introduced the Command Assessment Programme as a tool to evaluate candidates' suitability to be promoted to ship masters. These candidates were put through a simulated environment with pre-programmed crisis scenarios designed to assess their technical competencies, situational awareness and ability to exercise leadership and judgement during emergencies. This stringent assessment ensures that only the best are selected to take command of our vessels and crew out at sea.

We also made it a point to expose our onshore staff to the wide spectrum of our operations, such as by attending shipboard attachments. The result has been more well-rounded employees who share a deeper sense of solidarity with our marine crew. On the front of soft skills development, we introduced the "Lunch and Learn" sessions where onshore employees made use of their lunch hours to sit in on classes covering a wide range of topics including communication and leadership. We will continue with both initiatives in the year ahead.

EXCELLENCE THROUGH SAFETY

Workplace safety is our utmost priority. We believe our staff and crew, onshore or at sea, deserve a safe and healthy working environment and continue to uphold our "ZERO HARM" goal. To this end, we conduct regular briefings, assessments and dialogues to promote a culture that emphasises Health, Safety and Environment ("**HSE**") standards.

One highlight last year was the rollout of the Supervising for Safety ("**SFS**") course. The programme, jointly developed with Shell, helped participants identify where POSH placed on a HSE culture "ladder" and tasked them to proactively move the organisation up the ranks. Having attended the course and attested to its effectiveness, our CEO Captain Gerald Seow and Deputy CEO Mr. Lee Keng Lin extended it to the entire Company. A total of six sessions were held for POSH in 2016, attended by 250 onshore staff across departments including Legal, Marketing, Operations, Technical and Crewing. In 2017, this course will be expanded to include our seafaring employees.

At the same time, we sought out other innovative ways to reinforce HSE best practices. We introduced quarterly safety campaigns in 2016, with new safety-related initiatives rolled out every quarter. Aside from contests for employees to share ideas on promoting greater awareness for safety, risk assessments and mitigation procedures were also reviewed and updated by our



specialist HSE team to maintain the highest standards of workplace safety. We also made safety reminders top of mind in our day-to-day work, with "10 Golden Rules of Safety" banners and safety stickers displayed prominently across our offices and on our vessels.

TOGETHER AS "ONE TEAM"

Working as "ONE TEAM" is one of POSH's core values. We are convinced that the way forward lies in being part of a cohesive and united POSH family, where employees feel valued and supported and possess a sense of ownership for the Company's long-term growth.

To foster team spirit and a stronger corporate identity, more than 200 members of our POSH family came together at our annual POSH Day retreat in Phuket last year. With individual ownership and leadership as the focus, all participants were given the opportunity to lead during various segments of the retreat, allowing them to truly live out the theme of leadership.

POSH also believes in investing in and nurturing the younger generation. Last November, we launched our inaugural POSH Bursary Award to provide additional support for our offshore employees' children who had performed outstandingly at school. Under this bursary scheme, a total of 22 deserving students undergoing elementary, high school and university education received full sponsorship for their school fees. We believe this effort will go a long way to help these future leaders reach their full potential.





OUR COMMUNITY

As a leading offshore services provider with a global footprint and workforce, POSH recognises our broader responsibility to our community. Being a responsible corporate citizen is not just the right thing to do, it cements our reputation as a trusted and respected partner to our clients, peers, employees and other key stakeholders.

While we are focused on driving results for customers, we are equally committed to the wellbeing of our fellow men. Last June, our Teresa Osprey vessel responded to a distress call for an overloaded boat in the Mediterranean Sea – often a key channel for asylum seekers bound for Europe. We managed to rescue 65 people from the boat, which capsized before we arrived, and all survivors received shelter, first aid, food, water and other provisions. Throughout the operation, the Terasea Osprey crew showed exemplary tenacity and altruism. We are extremely proud of their gallant efforts that prevented a massive loss of life at sea.

On shore and at home, we continued to uphold our commitment to best HSE practices. These included implementing eco-friendly initiatives at our Great World City offices in Singapore, such as segregating waste, promoting recycling and use of environmentally friendly materials, conserving water usage and reducing the usage of plastic bags. Our concerted efforts earned our Great World City premises the "Eco-Office" certification by the Singapore Environment Council.

OUR FLEET

OFFSHORE SUPPLY VESSELS (AS AT 31 MARCH 2017)

VESSELS OWNED BY THE GROUP

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
POSH Conquest	Anchor Handling/Towing/Supply (AHTS)	16,000	6.29
POSH Constant	Anchor Handling/Towing/Supply (AHTS)	16,000	6.62
POSH Champion	Anchor Handling/Towing/Supply (AHTS)	16,000	6.20
POSH Commander	Anchor Handling/Towing/Supply (AHTS)	16,000	5.85
POSH Concorde	Anchor Handling/Towing/Supply (AHTS)	16,000	4.38
POSH Persistence	Anchor Handling/Towing/Supply (AHTS)	12,240	3.81
POSH Perseverance	Anchor Handling/Towing/Supply (AHTS)	12,240	1.94
POSH Hermosa	Anchor Handling/Towing/Supply (AHTS)	10,800	8.94
POSH Resolve	Anchor Handling/Towing/Supply (AHTS)	8,000	5.57
POSH Resolute	Anchor Handling/Towing/Supply (AHTS)	8,000	5.76
POSH Rapid	Anchor Handling/Towing/Supply (AHTS)	8,000	5.36
POSH Radiant	Anchor Handling/Towing/Supply (AHTS)	8,000	2.69
POSH Raptor	Anchor Handling/Towing/Supply (AHTS)	8,000	0.40
POSH Mariam	Maintenance, Work, Utility Vessel (MUV)	3,200	0.24
POSH Houria	Maintenance, Work, Utility Vessel (MUV)	3,200	0.23
POSH Maysa	Maintenance, Work, Utility Vessel (MUV)	2,600	0.07
POSH Shearwater	Platform Supply Vessel (PSV)	3,200 dwt	3.93
POSH Skua	Platform Supply Vessel (PSV)	4,100 dwt	4.16
POSH Gannet	Platform Supply Vessel (PSV)	4,100 dwt	3.82
POSH Jaeger	Platform Supply Vessel (PSV)	4,100 dwt	0.57
POSH Sandpiper	Platform Supply Vessel (PSV)	3,200 dwt	3.73
POSH Fulmar	Platform Supply Vessel (PSV)	3,200 dwt	3.50
POSH Pelican	Platform Supply Vessel (PSV)	3,200 dwt	3.27
POSH Sincero	Platform Supply Vessel (PSV)	3,300 dwt	6.75
POSH Kittiwake	Platform Supply Vessel (PSV)	3,300 dwt	5.53
POSH Honesto	Platform Supply Vessel (PSV)	2,346 dwt	8.61
POSH Galante	Platform Supply Vessel (PSV) with mudplant	2,346 dwt	8.35
POSH Generoso	Platform Supply Vessel (PSV) with mudplant	2,828 dwt	8.38
POSH Gentil	Platform Supply Vessel (PSV) with mudplant	2,828 dwt	7.16
POSH Gitano	Platform Supply Vessel (PSV) with mudplant	2,750 dwt	6.75
TOTAL OFFSHORE SUPPLY VESSELS			**30**

VESSELS OWNED BY OUR JOINT VENTURES

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
WINPOSH Rampart	Anchor Handling/Towing/Supply (AHTS)	8,000	4.90
WINPOSH Resolve	Anchor Handling/Towing/Supply (AHTS)	8,000	4.61
WINPOSH Regent	Anchor Handling/Towing/Supply (AHTS)	8,000	6.62
WINPOSH Ready	Anchor Handling/Towing/Supply (AHTS)	8,000	3.06
TOTAL OFFSHORE SUPPLY VESSELS			**4**

OFFSHORE ACCOMMODATION (AS AT 31 MARCH 2017)

VESSELS OWNED BY THE GROUP			
VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
POSH Bangka	Accommodation vessel (AV)	197 pax	18.76
POSH Bawean	Accommodation vessel (AV)	198 pax	18.76
POSH Xanadu	Semi Submersible Accommodation Vessel (SSAV)	750 pax	2.31
POSH Arcadia	Semi Submersible Accommodation Vessel (SSAV)	750 pax	0.89
POSH Endurance	Accommodation Vessel - Light Construction Vessel (LCV)	238 pax	2.22
POSH Endeavour	Accommodation Vessel - Light Construction Vessel (LCV)	238 pax	2.23
POSH Enterprise	Accommodation Vessel - Light Construction Vessel (LCV)	238 pax	1.73
POSH Elegance	Accommodation Vessel - Light Construction Vessel (LCV)	238 pax	0.77
TOTAL OFFSHORE ACCOMMODATION VESSELS			**8**

VESSELS OWNED BY OUR JOINT VENTURES			
VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
PW Natuna	Accommodation vessel (AV)	300 pax	7.12
TOTAL OFFSHORE ACCOMMODATION VESSELS			**1**



OUR FLEET

TRANSPORTATION AND INSTALLATION (AS AT 31 MARCH 2017)

VESSELS OWNED BY THE GROUP			
VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
POSH Assistor	Anchor Handling Tug (AHT)	8,000	6.54
POSH Antares	Anchor Handling Tug (AHT)	6,600	0.65
POSH Arcturus	Anchor Handling Tug (AHT)	6,600	0.33
Maritime Putri	Anchor Handling Tug (AHT)	5,000	11.97
Maritime Putra	Anchor Handling Tug (AHT)	5,000	11.93
POSH Pahlawan	Anchor Handling Tug (AHT)	5,000	7.19
POSH Panglima	Anchor Handling Tug (AHT)	5,000	6.25
Salvirile	Anchor Handling Tug (AHT)	5,000	11.38
Salvision	Anchor Handling Tug (AHT)	5,000	11.76
Salvaree	Anchor Handling Tug (AHT)	4,040	17.09
Maritime Mesra	Anchor Handling Tug (AHT)	4,000	7.75
POSH Mulia	Anchor Handling Tug (AHT)	4,000	7.54
Maritime Ratu	Towing Tug	3,200	12.28
Maritime Raja	Towing Tug	3,200	12.09
Maritime Honour	Deck/Tank Barge	13,000 dwt	4.47
Maritime Glory	Deck/Tank Barge	11,500 dwt	9.61
Maritime Pride	Deck/Tank Barge	11,500 dwt	9.61
Maritime Courage	Deck/Tank Barge	11,000 dwt	5.33
Maritime Faith	Deck/Tank Barge	7,700 dwt	9.88
Maritime Icon	Deck/Tank Barge	7,700 dwt	9.00
Maritime Topaz	Deck/Tank Barge	7,700 dwt	9.18
Maritime West	Deck/Tank Barge	7,700 dwt	10.23
Maritime Falcon	Deck/Tank Barge	5,400 dwt	9.00
Maritime Hawk	Deck/Tank Barge	5,400 dwt	9.18
Maritime Amber	Deck Cargo Barge	7,500 dwt	2.13
Maritime Diamond	Deck Cargo Barge	7,500 dwt	2.13
POSH Giant I	Submersible Barge	20,000 dwt	8.75
POSH Giant II	Submersible Barge	20,000 dwt	6.08
TOTAL TRANSPORTATION & INSTALLATION VESSELS			**28**



VESSELS OWNED BY OUR JOINT VENTURES			
VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
Salveritas	Anchor Handling Tug (AHT)	12,000	10.21
Salviceroy	Anchor Handling Tug (AHT)	12,000	10.02
Salvigilant	Anchor Handling Tug (AHT)	12,000	9.70
Salvanguard	Anchor Handling Tug (AHT)	13,500	13.25
Salviscount	Anchor Handling Tug (AHT)	13,500	13.12
Terasea Falcon	Anchor Handling Tug (AHT)	16,300	4.08
Terasea Hawk	Anchor Handling Tug (AHT)	16,300	3.92
Terasea Eagle	Anchor Handling Tug (AHT)	16,300	3.35
Terasea Osprey	Anchor Handling Tug (AHT)	16,300	3.08
WINPOSH 3301	Deck/Tank Barge	12,200 dwt	10.76
Maritime East	Deck/Tank Barge	8,000 dwt	12.61
Maritime Hope	Deck/Tank Barge	8,000 dwt	12.61
POSH Giant 3	Semi-submersible Barge	30,500 dwt	4.28
TOTAL TRANSPORTATION & INSTALLATION VESSELS			**13**



OUR FLEET

HARBOUR SERVICES & EMERGENCY RESPONSE (AS AT 31 MARCH 2017)

VESSELS OWNED BY THE GROUP

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
HARBOUR SERVICES			
POSH Harvest	Harbour Tug	4,000	6.33
POSH Gallant	Harbour Tug	4,000	2.31
POSH Gentle	Harbour Tug	4,000	2.24
POSH Guardian	Harbour Tug	4,000	2.01
POSH Grace	Harbour Tug	4,000	1.96
POSH Husky	Harbour Tug	5,000	0.43
POSH Hardy	Harbour Tug	5,000	0.19
PW Rapi	Harbour Tug	1,000	9.96
PW Rajin	Harbour Tug	1,000	9.96
Intan	Harbour Tug	1,000	8.42
Ikhlas	Harbour Tug	1,000	8.42
TOTAL HARBOUR SERVICES VESSELS			**11**

VESSELS OWNED BY THE GROUP

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
EMERGENCY RESPONSE			
Salvixen	Utility/ Emergency Support	1,250	35.27
Work Boat 1	Workboat	N/A	27.77
Salvern	Utility/ Emergency Support	N/A	14.40
TOTAL EMERGENCY RESPONSE VESSELS			**3**



VESSELS OWNED BY OUR JOINT VENTURES

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
HARBOUR SERVICES			
PW Tekun	ASD Tug/ Harbour Tug	3,600	12.28
PW Teguh	ASD Tug/ Harbour Tug	3,600	12.18
PW Zeta	ASD Tug/ Harbour Tug	3,200	7.64
PW Gamma	ASD Tug/ Harbour Tug	4,000	6.67
PW Kappa	ASD Tug/ Harbour Tug	4,000	6.75
PW Iota	ASD Tug/ Harbour Tug	3,600	4.32
PW Lambda	ASD Tug/ Harbour Tug	3,600	4.53
PW Tenang	ASD Tug/ Harbour Tug	3,600	4.38
PW Tenaga	ASD Tug/ Harbour Tug	3,600	4.40
PW Teraju	ASD Tug/ Harbour Tug	3,600	4.23
PW Tepat	ASD Tug/ Harbour Tug	3,600	4.23
Sea Basset	ASD Tug/ Harbour Tug	3,000	21.76
PW Benar	ASD Tug/ Harbour Tug	4,000	3.51
PW Berani	ASD Tug/ Harbour Tug	4,000	3.44
PW Tetap	ASD Tug/ Harbour Tug	3,600	2.86
PW Tentu	ASD Tug/ Harbour Tug	3,600	0.72
PW Tenteram	ASD Tug/ Harbour Tug	3,600	0.60
PW Tangkas	ASD Tug/ Harbour Tug	3,600	2.80
PW L-1501	Crane Barge	1500 MT	39.78
PW L-501	Crane Barge	500 MT	1.02
PW L-801	Crane Barge	800 MT	10.13
PW Reliance	Utility Tug	3,600	8.75
TOTAL HARBOUR SERVICES VESSELS			**22**

CORPORATE GOVERNANCE REPORT

PACC Offshore Services Holdings Ltd. ("POSH" or the "Company") and its subsidiaries (the "Group") believe in a firm commitment to upholding the highest standards of corporate governance to safeguard the interests of all its stakeholders. This report sets out the current practice with reference to the guidelines set out in the Code of Corporate Governance 2012 (the "Code").

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is accountable to stakeholders for the long-term performance and financial soundness of the Group. The Board's primary responsibility, apart from its statutory duties, is to direct and oversee the implementation of the Group's overall business strategy, establish and communicate corporate culture and values, and establish conflicts of interest policies and a strong corporate governance environment.

To assist the Board in the discharge of its oversight function, various board committees namely the Audit, Board Risk, Nominating and Remuneration Committees ("Board Committees") have been constituted with clear terms of reference. All Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. All Directors exercise due diligence and independent judgment, and make decisions objectively in the best interests of the Group. This is one of the performance criteria for the assessment of the contributions of the individual Directors.

The Board conducts regular scheduled meetings on a quarterly basis and ad-hoc meetings are convened, as may be requested by any member of the Board or if warranted by circumstances deemed appropriate by the Board. Between scheduled meetings, matters that require the Board's approval are circulated to all Directors for their consideration and decision. As provided in the Company's Constitution, Directors may participate in Board meetings by teleconferencing and videoconferencing.

All written resolutions passed and minutes of meetings held by the Board Committees are circulated to the Board for information and review, with such recommendations as the respective Board Committees consider appropriate for approval by the Board. While the Board Committees have the delegated powers to make decisions or make recommendations within the scope of their respective terms of reference, the ultimate responsibility for the decisions and actions rests with the Board as a whole.

For the year under review, the attendance of the Directors of the Company at meetings of the Board and Board Committees are summarized below:

	Board	Audit Committee	Board Risk Committee	Remuneration Committee	Nominating Committee
1. Kuok Khoon Ean	4/4	NA	4/4	3/3	NA
2. Seow Kang Hoe, Gerald	4/4	NA	NA	NA	NA
3. Wu Long Peng	4/4	NA	NA	NA	3/3
4. Ahmad Sufian @ Qurnain Bin Abdul Rashid	4/4	4/4	NA	3/3	3/3
5. Ma Kah Woh	4/4	4/4	4/4	NA	3/3
6. Jude Philomen Benny	4/4	4/4	4/4	NA	3/3
7. Wee Joo Yeow	4/4	4/4	4/4	3/3	NA

CORPORATE GOVERNANCE REPORT

The Company has adopted and documented internal guidelines setting forth matters that require Board approval. Matters which are specifically reserved for the decision of the Board include:

- Strategies and major business proposals of the Group;
- Acquisitions and disposals of investments, businesses and assets;
- New lines of businesses which complement the core business activities of the Group;
- Commitment to loans and lines of credit from banks and financial institutions and fund raising from capital markets, including the opening and closing of bank accounts;
- Share issuances, interim dividends and other returns to shareholder.

The Board has a board induction pack organized for new Directors. Directors are updated on the Group's business and on regulatory changes, as and when necessary. Industry update briefing sessions by external industry specialist were also organized for the Board. Board members also attend seminars and courses organize by the Accounting and Corporate Regulatory Authority, the Singapore Institute of Directors and/or the Singapore Exchange Limited on relevant topics, costs of which are borne by the Company.

The Board secretariat is responsible for organizing and compiling a list of relevant courses, which will be circulated to Board members. Directors' attendance record at courses are being maintained by the secretariat.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board has seven (7) members comprising one (1) Executive Director, two (2) Non-Executive Directors and four (4) Independent Non-Executive Directors. Independent Directors make up more than half the Board.

The Board considers an "independent" Director as one who has no relationship with the Company, its related companies, its shareholders with shareholdings of 10% or more voting shares in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of a Director's independent business judgment with a view to the best interests of the Group.

With Independent Directors being a majority on the Board, the Company believes that it has a strong and independent element on the Board which facilitates the exercise of independent and objective judgment on its corporate affairs.

Mr Jude Benny is the Lead Independent Director. He avails himself to address shareholders' concerns and acts as a counter-balance on management issues in the decision-making process. The Lead Independent Director works closely with other Independent Directors and when necessary meets with them, without the presence of other Directors to discuss matters that were deliberated at Board meetings.

The Nominating Committee reviews annually, the size, composition and balance of the Board to ensure the Board has the core competencies for effective functioning and informed decision making. The Board is made up of Directors with a wide range of skills, experience and qualifications and they bring with them expertise and knowledge in areas such as accounting, finance, legal, business acumen, risk management and specific industry and customer-based knowledge relevant to the Group's business. Key information about the Directors is presented in the section entitled "Board of Directors" in the Company's Annual Report 2016.

CORPORATE GOVERNANCE REPORT

The Board is provided with accurate, complete and timely information to enable it to make well informed decisions. The Non-Executive Directors and Independent Directors have participated actively in the Board meetings. With their expertise and competency in their respective fields, they have, collectively, provided constructive advice and good governance guidance for effective discharge by the Board of its principal functions.

The Board in concurrence with the Nominating Committee, is of the view that taking into account the nature and scope of the operations of the Group, and the requirements of the Group's businesses, the current size and composition of the Board facilitates effective decision making. With Independent Directors making up more than half of the Board, no individual or small group of individuals dominate decision making. The Directors as a group provide the appropriate balance and diversity of skills, experience, knowledge of the Group, core competencies, such as accounting or finance, business or management experience required for the Board and the Board Committees to be effective.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

The Company's Chairman is Mr Kuok Khoon Ean. The Chairman, with the assistance of the Company Secretaries, schedules and prepares meeting agenda to enable the Board to discharge its duties responsibly having regard to the Group's operations.

The Chairman leads all Board meetings and ensures that Board members receive accurate and timely information to enable them to be fully cognizant of the affairs of the Group. He also promotes a culture of openness and solicits contributions from the Board members to facilitate constructive discussions.

The Chairman takes a leading role in the Company's drive to achieve and maintain high standards of corporate governance with the full support of the Board and the Company Secretaries.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Board has established the Nominating Committee ("NC") comprising entirely Non-Executive Directors with the majority being Independent Directors, namely:

Jude Philomen Benny	–	Chairman and Lead Independent Director
Ahmad Sufian @ Qurnain bin Abdul Rashid	–	Member
Wu Long Peng	–	Member
Ma Kah Woh	–	Member

The NC meets at least once a year and is responsible for making recommendations to the Board on matters relating to:

(a) The review of Board succession plans for Directors, in particular, the Chairman and the Chief Executive Officer ("CEO");

(b) The review of the process for evaluation of the performance of the Board, Board Committees and Directors;

(c) The review of training and professional development programs for the Board; and

(d) The appointment and re-appointment of Directors.

CORPORATE GOVERNANCE REPORT

The NC has adopted the guidelines as set out in the Code in carrying out its assessment of the independence of the Directors of the Company. In addition, each Independent Director is required to state whether he considers himself independent taking into consideration the existence of relationships (if any) which would nullify his independence as a Director based on the guidelines in the Code.

The NC has, upon its assessment, concluded that none of the Independent Directors are related and do not have any relationship with the Company or its related companies, its shareholders with shareholdings of 10% or more voting shares in the Company or its officers that could interfere with the exercise of their independent judgment. The Board has concurred with the NC that all four existing Independent Directors of the Company are considered independent.

The Company does not, as a matter of policy, limit the maximum number of listed company board representations its Board members may hold as long as each of the Board members is able to commit his time and attention to the affairs of the Group. In this connection, the NC determines annually whether a Director with multiple board representations and/or other principal commitments is able to carry and has been adequately carrying out his duties as a Director of the Company. The NC takes into account the results of the assessment of the competencies, commitment and contributions of the individual Director and is of the view that although some Directors hold other non-Group Board representations, they are nevertheless able to carry and have effectively carried out their duties as Directors of the Company.

As part of the Board selection process, the NC undertakes an assessment of the current strengths of the Board, its ability to govern effectively, as well as any gaps that should be filled. It will consider key attributes in a candidate, particularly the necessary experience and skill set to fill any gaps identified and the ability to contribute positively to Board discussions.

Candidates may be proposed by existing Board members or recommended through its network of business associates and professionals. The necessary due diligence on the candidate will be conducted and an interview arranged with the NC before the selected candidate is formally proposed to the Board of Directors.

As a principle of good corporate governance, all Board members are required to submit themselves for re-election at regular intervals. The CEO, as a Board member, is also subject to retirement and re-election. In accordance with the Constitution of the Company, one-third of the Directors who have been longest in office since their last re-election, are required to retire by rotation at least once every three years. These Directors are eligible for re-election subject to approval by the shareholders at the annual general meeting ("AGM"). New Directors will hold office only until the next AGM following their appointments and they will be eligible for re-election. Such Directors are not taken into account in determining the number of Directors who are to retire by rotation.

The NC has, in its deliberations on the re-election of existing Directors, taken into consideration the relevant Director's contribution and performance. The assessment parameters include attendance record and intensity of participation at meetings of the Board and Board Committees as well as the quality of participation and special contribution.

The Board has accepted the NC's recommendation to seek approval of shareholders at the upcoming AGM for the re-election of Mr Ma Kah Woh, Mr Wee Joo Yeow and Mr Wu Long Peng under Articles 94 and 95 of the Company's Constitution.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board, through the NC, has implemented a process for assessing the effectiveness of the Board as a whole and its Board Committees and contribution by each individual Director to the effectiveness of the Board, on an annual basis. Directors are required to complete a Board assessment form and an individual self-assessment form. In addition, Board Committee members are required to assess each Board Committee they are a member of. The findings are collated and presented by the NC to the Board.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors receive a set of board papers that include explanatory information relating to matters to be brought before the Board, copies of disclosure notes and internal group financial statements prior to Board and Board Committees' meetings. This is generally sent to them in advance to allow sufficient time for the Board members to obtain further explanations, where necessary, to be properly briefed and adequately prepared for the Board and Board Committees' meetings.

The Directors also receive the monthly flash reports as well as quarterly management accounts of the Group and have unrestricted access to the records and information of the Group. The Non-Executive and Independent Directors have access to senior executives in the Group and other employees to seek additional information if required. To facilitate such access, the contact particulars of the senior executives and Company Secretaries of the Group have been provided to the Directors. The Directors whether collectively or individually may, at the Company's expense, seek and obtain independent professional advice when necessary to discharge their duties effectively.

The Company Secretaries have the responsibility to ensure that Board procedures are followed and that all applicable rules and regulations including requirements of the Securities and Futures Act, Singapore Companies Act and SGX-ST Listing Manual, are complied with. The Company Secretaries are in attendance at meetings of the Board and Board Committees and are responsible for preparing the minutes of the proceedings thereat. The appointment and removal of the Company Secretaries is a matter for the Board to decide as a whole.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises three (3) Directors namely:

Wee Joo Yeow	–	Chairman
Kuok Khoon Ean	–	Member
Ahmad Sufian @ Qurnain bin Abdul Rashid	–	Member

The RC has written terms of reference that describes the responsibilities of the members. The RC is responsible for ensuring a formal and transparent procedure for developing a comprehensive remuneration policy, and general framework and guidelines for remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, grant of share awards and share options, and benefits-in-kind) of the members of the Board and key management personnel. The RC reviews and recommends to the Board, in consultation with the Chairman of the Board (where applicable), specific remuneration packages for each of the Directors and the key management personnel. The RC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximizing shareholder value.

The RC is also responsible for the review of, and recommending to the Board awards under the POSH Share Option Plan ("SOP") and POSH Performance Share Plan ("PSP") and their associated performance targets. In addition, the RC reviews the Company's obligations arising in the event of termination of the executive director's and key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

No RC member nor any Director is involved in deliberations regarding compensation, share-based incentive or any form of benefits to be granted to himself.

CORPORATE GOVERNANCE REPORT

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Company's current remuneration framework comprises a fixed and a variable component. The variable component comes in the form of annual bonus tied to the performance of the individual and the Group. During the year under review, the Company implemented the PSP with the award of two batches of share awards to the Executive Director cum Chief Executive Officer ("CEO") and key management personnel of the Group. That serves to reward and recognise the key executives' contributions to the long-term growth of the Group.

Subsequent to the financial year in January 2017, the Company granted another batch of share awards to the Executive Director cum CEO and key management personnel of the Group. The Company also granted its first batch of share options to eligible employees of the Group. Details of the share awards and options granted are set out in the Directors' Statement.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Each member of the Board receives annual Directors' fees, and such fees are subject to the approval of shareholders at the AGM. The structure of Directors' fees for FY2016 is set out below. The Chief Executive Officer ("CEO") as an Executive Director does not receive Director's Fees.

Fee Structure for FY2016

a. A retainer fee of S$60,000 for serving as a Director;

b. Additional fee of S$30,000 for serving as Chairman of the Board;

c. Additional fee of S$20,000 for serving as Lead Independent Director;

d. Additional fee for serving as member on the following Board Committees. In addition, the Chairman of each Board Committee is also paid an additional fee in view of the greater responsibility carried by that office.

	Audit Committee S$	Board Risk Committee S$	Nominating Committee S$	Remuneration Committee S$
Chairman's Fee	30,000	5,000	5,000	5,000
Member's Fee	20,000	10,000	10,000	10,000

CORPORATE GOVERNANCE REPORT

The breakdown of remuneration for the Directors and the top 5 key executives of the Company for FY2016 is as follows:

Non-Executive and Independent Directors	Proposed Directors' Fee	Fixed Salary	Variable Bonus	Benefits-in-kind	Total (S$)
Kuok Khoon Ean [1]	100%	–	–	–	109,000
Wu Long Peng [1]	100%	–	–	–	64,000
Jude Philomen Benny [1]	100%	–	–	–	119,000
Ma Kah Woh [1]	100%	–	–	–	124,000
Ahmad Sufian @ Qurnain Bin Abdul Rashid [1]	100%	–	–	–	94,000
Wee Joo Yeow [1]	100%	–	–	–	99,000

Directors	Fixed Salary	Variable Bonus	LTI [4]	Benefits-in-kind	Total	Remuneration Band (S$)
Executive Director						
Seow Kang Hoe, Gerald	52%	20%	26%	2%	100%	1,000,000 – 1,249,999
Top 5 Key Management Personnel						
Lee Keng Lin	68%	16%	16%	0%	100%	500,000 – 749,999
Thai Kum Foon [2]	73%	19%	8%	0%	100%	500,000 – 749,999
Ng Eng Khin [3]	69%	13%	18%	0%	100%	500,000 – 749,999
Chai Ulva	92%	4%	4%	0%	100%	250,000 – 499,999
Sim Hee Ping	71%	18%	11%	0%	100%	250,000 – 499,999

Note:

(1) The Directors have agreed to a one off reduction of 10% in their Directors' retainer fee from S$60,000 to S$54,000 for FY2016.

(2) Ms Thai has stepped down as CFO of POSH effective from 1 January 2017.

(3) Mr Ng is employed by POSH Terasea Offshore Pte Ltd, a wholly owned subsidiary of the joint venture POSH Terasea Pte Ltd.

(4) Long term incentive ("LTI") comprising share awards granted under the Company's Performance Share Plan.

The remuneration of the Company's top five key executives takes into account the pay and employment conditions within the industry and is performance-related. The Company is of the opinion that it is not in the best interest of the Company to disclose specific details of their remuneration due to the competitiveness of the industry for key talent.

No employee is an immediate family member of a Director or the CEO.

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Company's and Group's performance, financial position and prospects, including interim and other price-sensitive public reports, and reports to regulators (if required). The Directors fully recognize the principle that the Board is accountable to the shareholders while the Management is accountable to the Board.

The Board has embraced openness and transparency in the conduct of the Group's affairs, whilst preserving the commercial interests of the Group. Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNet, press releases and the Company's website.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Role of Board and Board Committees

The Board with the assistance of the Board Risk Committee ("BRC") and the Audit Committee ("AC") which is discussed under Principle (12) is responsible for the governance of risk by ensuring that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives. The Board sets the overall strategic direction and ensures such strategies are aligned with the risk tolerance of the Group, as well as any potential emerging risks that the Group may face.

The BRC comprises four (4) Non-Executive Directors with the majority being Independent Directors, namely:

Kuok Khoon Ean	–	Chairman
Jude Philomen Benny	–	Member
Ma Kah Woh	–	Member
Wee Joo Yeow	–	Member

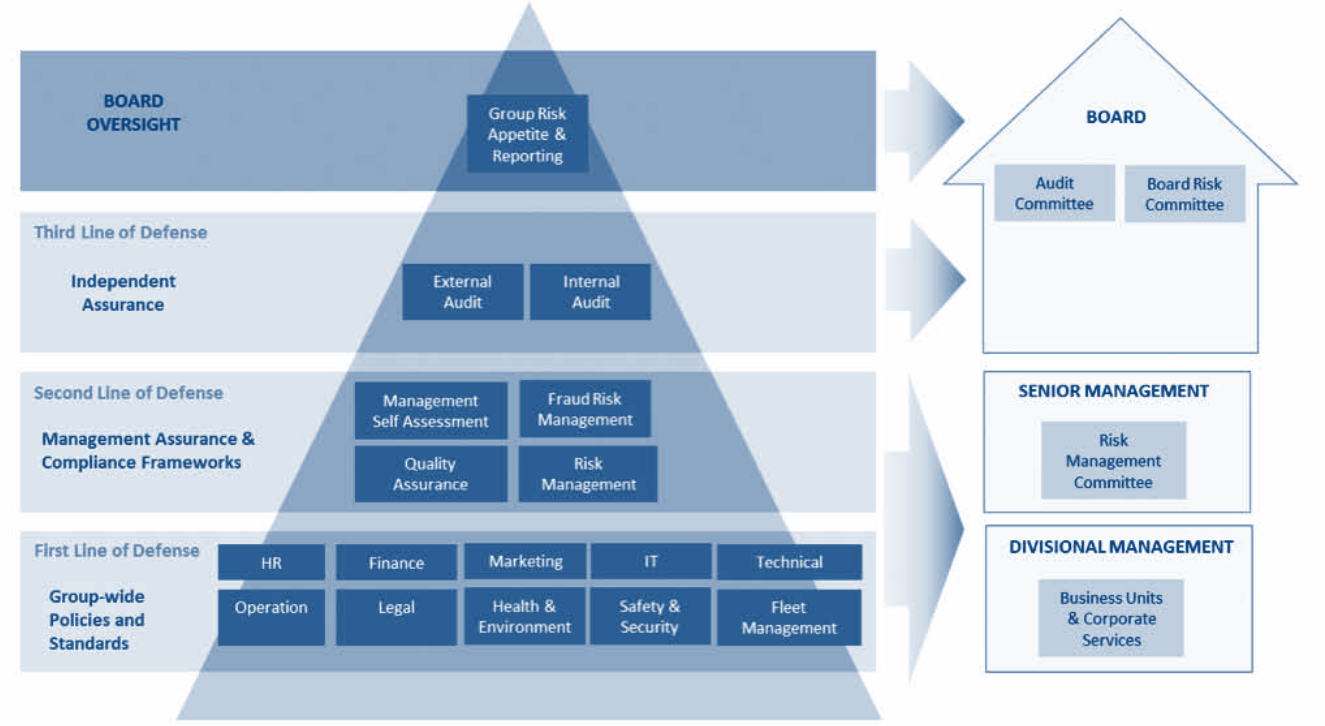
The BRC reviews and discusses with Management the Group's risk governance structure, risk assessment and risk management guidelines, policies and processes and the adequacy and effectiveness of the Group's risk management policies and systems. The BRC reports to the Board on material findings and recommendations in respect of significant strategic, business and operating risks. For financial reporting, IT, compliance and regulatory risks, the AC provides the oversight and assesses the adequacy and effectiveness of the Group's internal control and compliance systems.

Risk Governance and Assurance Framework

The Group's risk governance and assurance framework is structured with three lines of defence; the business unit management, in partnership with corporate services support functions, is the first line of defence and is primarily responsible for establishing policies and procedures to manage risks within approved Group risk appetite. As the second line of defence, Group oversight functions (such as Group Health, Safety, Environment and Quality Assurance ("HSEQA") and Risk Management) develop and maintain appropriate risk management framework and assurance processes as well as monitor and report key risk issues. Internal Audit function and external auditors, as the third line of defence, provide independent assurance on the adequacy and effectiveness of the Group's internal controls and risk management systems. The following diagram depicts the Group's risk governance and assurance framework by which the Board obtains assurance on the adequacy and effectiveness of the Group's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

Risk Governance and Assurance Framework



Risk Management Framework

The Group has established a Risk Management Framework to identify, manage and monitor the portfolio of business and operating risks impacting the Group on an on-going basis. During the financial year, the internal audit team worked with the business units to review and assess key financial, operational, compliance and information technology risks of the Group. All business units were involved in identifying and evaluating risks from the bottom up, and these risks were then reviewed by the Risk Management Committee that comprised senior management of the Group to provide a top down perspective as well. Reports on specific risk topics were also prepared by Management, and tabled to the BRC during the year for deliberation.

Fraud Risk Management

The Group does not tolerate any corporate impropriety, malpractice or wrongdoing by staff in the course of their work. The Group has put in place a fraud risk management framework and some of the key practices in place include the following:

(a) *Clear communication of Group's values and ethics*
The Group's Codes of Ethics and Conduct serve to guide staff on issues of ethical conduct and conflicts of interests that may arise in the course of their employment. These requirements are also clearly set out in the employee's Employment Terms & Conditions, as well as the Employee Handbook.

(b) *Implementation of anti-fraud controls*
Conflicting duties and access rights are identified and segregated. Employee due diligence processes include background reference checks for executive grades and above. All new staff are also required to provide offence and non-indebtedness declarations. For new vendors, company profile searches and financial evaluation are performed, where relevant.

CORPORATE GOVERNANCE REPORT

(c) *Establishment of whistleblowing channels*
The Group implemented a whistleblowing programme that provides a framework for reporting of suspected fraud, corruption, dishonest practices or other misdemeanors without fear of reprisals and provides for independent investigation of such matters and appropriate follow up actions. Please refer to Principle (12) for an elaboration on the whistleblowing programme.

(d) *Conduct of periodic fraud risk awareness sessions*
During the year, IT and internal audit team conducted sessions with Finance and Operations departments to raise awareness on potential cyber fraud risks and the measures to be taken to detect, prevent or mitigate such risks.

Quality Assurance

To further enhance POSH commitment towards safety, the Group's Safety Handbook was revised to reflect current safety standards and used to educate non-operational staff on the importance of safety. POSH 10 Golden Rules was developed to inculcate safety culture within all POSH staff with strong commitment coming from senior management. All shore staff were briefed by HSE department on the contents of the Safety Handbook and 10 Golden Rules, following which they signed the safety pledge to reflect their commitment towards safety. This pledge is to promote the mindset of "Safety Starts With Me".

To cultivate environmental awareness in shore based personnel towards compliance with ISO 14001, waste segregation was implemented in office in 2015. In addition to ship staff, the Behaviour Base Safety ("BBS") program was extended to the shore based personnel.

Regular review of Group's Safety Management System (IMS) is carried out to ensure continual improvement and that it remains current. The HSEQA department also carries out regular audits on ship operations in compliance with International Safety Management Code, International Ship and Port Facility Security Code, Code of Maritime Labour Convention, Occupational Health and Safety Management Standard and International Organisation for Standardisation ("ISO") Quality Management Standard. Periodic checks are also conducted by prospective charterers to ensure compliance with charterer's requirement of Offshore Vessel Management System Audit and Offshore Vessel Inspection Database.

Information Technology ("IT") Risk Management

IT services for the Group is outsourced to KSL Group IT as part of the common support services provided under the Shared Services Platform across KSL Group.

KSL Group IT together with POSH Management through the IT Steering Committee (ITSC) forum meets periodically to discuss IT projects and initiatives in alignment with business goals and direction. The forum also serves as a communication channel to discuss matters concerning IT governance including IT policies & process, IT security and service level agreement for continual performance monitoring of outsourced services to the Group.

As it is critical for the organization to continually examine its risks and security objectives across its business environment, IT seeks to further enhance its security posture by deployment of Advanced Threat Defence System for protection against threats and vulnerabilities to mitigate cyber related risks. This coupled with continuous updating of documented IT security policies and security programmes, increases staff awareness of cyber security risks so that they can play an active role in managing IT risks in the course of their work. IT has also established a strategy and reporting framework for incident management and controls.

To mitigate IT project related risks, IT projects are managed based on an IT Project Framework that sets out processes to ensure detailed and accurate scoping of business requirements, project planning, regular project updates, risk assessment with respect to project budget and timeline, performance monitoring and reporting of key projects to stakeholders.

Over the years, both the internal audit team and external auditor carried out periodic audits to assess the adequacy of internal controls for IT systems in addition to reviewing general information technology infrastructure and controls in their audit cycle/ programme. Any potential risks identified are then highlighted to Management for necessary actions. Any major risks identified are also tracked and reported to the AC and BRC.

CORPORATE GOVERNANCE REPORT

Management Control Self-Assessment

During the year, the internal audit team updated the Control Self-Assessment checklists for each business division and the business divisions used them to evaluate the adequacy and effectiveness of the key controls within their area. The results of these self-assessments provide one of the bases for the Board's opinion on the adequacy and effectiveness of risk management and internal control systems.

Opinion on the Adequacy and Effectiveness of Internal Control and Risk Management Systems

The Board recognises the importance of a sound internal controls system to safeguard the assets of the Group and the shareholders' interest. The Board affirms its overall responsibility for the Group's system of internal controls and for reviewing the adequacy and integrity of those systems. It should be noted that the internal controls system is designed to manage rather than to eliminate risks. Accordingly, the internal controls system can only provide reasonable and not absolute assurance regarding the achievement of the Group's objectives in the following areas:

(a) effectiveness and efficiency of operations;

(b) reliability of financial reporting; and

(c) compliance with applicable laws and regulations.

The first area addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of assets. The second relates to the preparation of reliable financial statements, including interim and full year financial statements. The third deals with complying with those laws and regulations to which the entity is subject to.

During the year under review, the Board has received assurance from the CEO and Chief Financial Officer that the financial records have been properly maintained, that the financial statements give a true and fair view of the Group's operations and finances, and that the risk management and internal control systems of the Group are adequate and effective.

On the basis of the foregoing assurance from Management, the internal controls established and maintained by the Group, the self-assessments by the business divisions and work performed by the internal and external auditors, the Board, with the concurrence of the AC and BRC, is of the opinion that the Group's internal control and risk management systems, addressing key financial, operational, compliance, information technology and risk management objectives; and which the Group considers relevant and material to its operations, were adequate and effective to meet the needs of the Group in its business environment as at 31 December 2016.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Composition and Role of AC

The Audit Committee ("AC") comprises entirely of Non-Executive Independent Directors, namely:

Ma Kah Woh	–	Chairman
Ahmad Sufian @ Qurnain bin Abdul Rashid	–	Member
Jude Philomen Benny	–	Member
Wee Joo Yeow	–	Member

The Chairman has accounting, auditing and risk management expertise and experience. The other members provide expertise in accounting, legal and business issues. The Board is of the view that the members of the AC have relevant accounting or related financial management expertise or experience to discharge the AC's functions.

CORPORATE GOVERNANCE REPORT

The AC was briefed at each quarterly AC meeting by the external auditor on changes in Financial Reporting Standards which are relevant to the Group's businesses. Members of the AC also attend seminars and courses organised by the Accounting and Corporate Regulatory Authority, the Singapore Institute of Directors and/or the Singapore Exchange Limited on relevant topics, costs of which are borne by the Company.

The AC has a set of terms of reference, scope and authority of which include:

- Review of the quality and reliability of information prepared for inclusion in financial reports;
- Review of the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls;
- Review of scope and audit findings of internal and external auditors as well as management responses to them;
- Evaluation of the nature and extent of non-audit services performed by external auditor;
- Recommendation of the appointment and re-appointment of external auditor;
- Approval of the remuneration and terms of engagement of external auditor; and
- Review of Interested Person Transactions.

In addition, the AC also:

- Meets with the external and internal auditors, without the presence of Management, at least once a year to review and discuss the financial reporting process, system of internal controls, significant comments and recommendations; and
- Reviews and if required, investigates the matters reported via the whistleblowing mechanism, by which staff and external parties who have business relationship with the Group may, in confidence, raise concerns about suspected improprieties including financial irregularities.

The AC has explicit authority to investigate any matter within its terms of reference, and has access to sufficient resources in order to carry out its duties, including full access to, and co-operation by, Management, the Company Secretaries, the external auditor and internal auditors for assistance as required. It has full discretion to invite any Director, member of Management and third parties to attend its meetings. It also has the authority to review its terms of reference and its own effectiveness annually and recommend necessary changes to the Board.

AC Activities for the Year

The AC met 4 times during the year and the activities for the year, in accordance with its responsibilities and duties under its terms of reference, included the following:

(a) *Financial Reporting*
The AC reviewed the quarterly and annual financial statements and financial announcements required by SGX-ST for recommendation to the Board for approval. The reviews focused on changes in accounting policies and practices, major judgmental and risk areas, significant adjustments resulting from the audit, compliance with accounting standards, compliance with SGX-ST and other legal requirements.

CORPORATE GOVERNANCE REPORT

(b) *External Audit*

The AC discussed with the external auditor the audit plan, and the report on the audit of the year-end financial statements; reviewed the external auditor's management letter and Management's responses thereto; and reviewed the external auditor's objectivity and independence from Management and the Company. During the year, the AC had one meeting with the external auditor, without the presence of Management, to enable the external auditor to privately raise issues encountered in the course of their work directly with the AC. A review of the incumbent external auditor's competency and quality of the work, objectivity and independence was performed. The AC has also reviewed the aggregate amount of fees paid to the external auditor for FY2016 and the breakdown of the fees paid in total for audit and non-audit services, and is satisfied that the value, volume and nature of non-audit services performed by the external auditor would not affect their independence and objectivity. The fees payable in respect of audit services provided by the external auditor for FY2016 are disclosed in the notes (set out on page 122 of this annual report) to the financial statements. The AC has reviewed and is satisfied with the standard of the external auditor's work. The AC has recommended the re-appointment of Ernst & Young LLP ("EY") as the Group's external auditor at the forthcoming AGM. In appointing EY as auditor of the Group, the Company has complied with Rule 712 and Rule 715, read with Rule 716 of the SGX-ST Listing Manual.

(c) *Internal Audit*

The AC reviewed the scope and major findings of internal audits carried out by the internal audit team during the year and Management's responses thereto. During the year, the AC had one private session with the internal audit team, without the presence of Management, to discuss matters which may affect the independence, quality and robustness of their audits. Please refer to Principle 13 for an elaboration on internal audit.

(d) *Risk Management*

The AC, together with the BRC, reviews the risk reports and materials, and the adequacy and effectiveness of the risk management system. Risk appetites for financial, operational and compliance risks have been established and endorsed by AC and BRC to facilitate timely and effective risk discussions and reporting between Management and the Board. Please refer to Principle 11 for an elaboration on AC's and BRC's assessment of the adequacy and effectiveness of risk management and internal controls systems.

(e) *Interested Person Transactions ("IPT")*

Transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. During the year, approvals were sought from AC for IPTs in accordance with the IPT Manual. The AC also reviewed the results of the quarterly audits carried out by the internal audit team on the IPT for compliance with the SGX-ST Listing Manual and the Shareholders' Mandate obtained at the last AGM.

(f) *Whistleblowing*

The AC oversees and reviews the whistleblowing programme implemented to strengthen corporate governance and ethical business practices across the business units. The policy and processes are set out in the Company's website and communicated to all staff via internal circular. Whistleblowers are provided with accessible channels to the AC Chairman, which include a secure phone hotline, and electronic and postal mailing addresses. The AC will direct the investigations of all cases reported and the adoption of appropriate remedial measures where warranted. During the year, the AC reviewed and was satisfied with the adequacy of the whistleblowing programme instituted by the Company.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Independence of the Internal Audit Function

The role of the Internal Auditors ("IA") is to assist the AC to ensure that the Group maintains a sound system of internal controls and risk management by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC and the BRC, and conducting regular in-depth audits of high risk areas. The Group's internal audit functions are outsourced to its parent company, KSL Group.

Staffed by suitably qualified executives, IA has unrestricted direct access to the AC and unfettered access to all the Group's documents, records, properties and personnel. The Head of IA's primary line of reporting is to the Chairman of the AC, although she reports administratively to the CEO of the Group. Annually, the AC provides an appraisal of the performance of the Head of IA to KSL Group.

Adequacy of the Internal Audit Function Resources

IA prepares a risk-centric annual audit plan to review the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance, IT controls and risk management systems on an annual basis. IA carries out audits that address the controls and business processes in the Group. The AC reviews the annual audit plan proposed by IA and periodically assesses the adequacy of the resources required. External resources may be engaged to assist in the audits, where necessary.

Qualifications and Experience of Internal Audit Staff

IA employs suitably qualified and experienced personnel who either possess a recognised diploma in Accounting or an equivalent professional qualification, or have working experience in a public accounting firm. In addition, they are Certified Internal Auditors ("CIA"), Certified Public Accountants ("CPA"), Chartered Certified Accountant ("ACCA") and Certified Information Systems Auditors ("CISA"). The certification bodies that govern these professional accreditations require their members to maintain a program of continuing education. The professional competence of IA is maintained and upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations and industry trends.

Internal Audit Standards

The IA function adheres to the Code of Ethics and International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors ("IIA"). Internal Audit focuses on determining whether the controls provide reasonable assurance of effective and efficient operations, as to reliability and integrity of financial data and reports, and compliance with laws, regulations and contracts. The internal audit plan is reviewed and approved by the AC. The internal audit plan covers the examination and evaluation of the adequacy and effectiveness of internal control systems and the quality of compliance to the internal control systems which comprises key components of control environment, risk assessment process, operational control activities, information and communication system and monitoring practices.

The approach of internal audit is divided into four phases:

1. Document and update systems and procedures or policies;

2. Prepare and update detailed audit programmes, testing and draft report;

3. Discuss with auditee's management on draft report and finding; and

4. Report to AC and follow up.

CORPORATE GOVERNANCE REPORT

In addition, IA will suggest improvements in practices and procedures to eliminate inefficiencies, to report deficiencies and follow up with appropriate management to ensure the necessary corrective actions are taken and to report on a regular basis to the AC.

Annual Review of Adequacy and Effectiveness of Internal Audit Function

IA conducted an internal self-assessment for internal audit work performed during the year, as part of its Quality Assurance and Improvement programme for the internal audit activity. IA also conforms to the standards of the IIA for validation by an independent external reviewer once every five years. An external review will be conducted in FY2017 as part of the five year cycle.

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company is committed to treat all shareholders fairly and equitably to facilitate the exercise of their ownership rights and to provide them with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Company employs various platforms to effectively engage the shareholders and the investment community, with an emphasis on timely, accurate, fair and transparent disclosure of information. Engagement with shareholders and other stakeholders takes many forms, including announcements of quarterly results and presentations, e-mail communications, publications and content on the Company's website. During the year under review, senior management met with investors, analysts and also held media conference calls to keep the market and investors apprised of the Group's corporate developments and financial performance.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNet and the press. To ensure a level playing field and provide confidence to shareholders, unpublished price-sensitive information are not selectively disclosed.

The Company ensures that shareholders have the opportunity to participate effectively and vote at shareholders' meeting. Shareholders are informed of shareholders' meetings through notices published in the newspaper and via SGXNet, and reports or circulars sent to all shareholders. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. Shareholders are also informed of the rules, including voting procedures, governing such meetings.

If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance.

CORPORATE GOVERNANCE REPORT

At shareholders' meetings, each distinct issue is proposed as a separate resolution. The results are announced in a timely manner after the general meeting via SGXNet.

The Chairman of the Board and each Board Committee are required to be present to address questions at general meetings of shareholders. The external auditor will also be present at such meetings to assist the Directors in addressing shareholders' queries, if necessary.

The Company Secretaries prepares minutes of shareholders' meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request.

Pertinent information is regularly conveyed to the shareholders through SGXNet and the Company's website at http://www.posh.com.sg/.

The Company has not adopted a formal dividend policy. The Company pays dividends out of profits available for distribution and when there is sufficient cash available after taking into consideration the operating requirement and capital commitment of the Group.

DEALING IN SECURITIES

In compliance with Rule 1207 (19) of the SGX-ST Listing Manual, the Company has an internal code on dealings in the Company's shares by all Directors and employees of the Group.

All Directors and employees of the Group are prohibited from dealing in the Company's shares during the period commencing two weeks before the announcement of the Group's quarterly results, and one month before the announcement of its full year financial results, and ending on the date of such announcements.

Directors, officers and employees of the Group are prohibited from dealing in the Company's shares while in possession of unpublished price-sensitive information and to refrain from dealing in the Company's shares on short-term considerations.

CORPORATE GOVERNANCE REPORT

INTERESTED PARTY TRANSACTIONS

Pursuant to Rule 907 of the Listing Manual of the SGX-ST the aggregate value of interested person transactions ("IPTs") entered into during FY2016 are as follows:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all IPTs conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) US$'000
PSM Perkapalan Sdn Bhd	–	229
Kuok (Singapore) Ltd	–	1,548
DP Shipbuilding & Engineering Pte Ltd	28	8,188
GWC Commercial Pte Ltd	–	1,574
DDW PaxOcean Shipyard Pte Ltd	264	772
PaxOcean Engineering Zhuhai Co., Ltd	–	87,845
PACC Ship Managers Pte Ltd	–	253
PaxOcean Engineering Zhoushan Co., Ltd	–	4,621
Raffles Bunkering Pte Ltd	–	123
KSL Corporate Services Pte Ltd	–	607
TOTAL	**292**	**105,760**

MATERIAL CONTRACTS

Except as disclosed under the section on Interested Person Transactions above and in Note 27 (Related party transactions) of the notes to financial statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.



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DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of PACC Offshore Services Holdings Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") and statements of financial position and changes in equity of the Company for the financial year ended 31 December 2016.

Opinion of the Directors

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and statements of financial position and changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The Directors of the Company in office at the date of this statement are:

Kuok Khoon Ean
Seow Kang Hoe, Gerald
Wu Long Peng
Jude Philomen Benny
Ma Kah Woh
Ahmad Sufian @ Qurnain Bin Abdul Rashid
Wee Joo Yeow

Arrangements to enable Directors to acquire shares or debentures

Except as described in the financial statements, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares or debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Holdings registered in the name of Director or nominee		Holdings in which Director is deemed to have an interest	
	As at 1.1.2016	As at 31.12.2016	As at 1.1.2016	As at 31.12.2016
	Number of ordinary shares			
In the immediate and ultimate holding company – Kuok (Singapore) Limited				
Kuok Khoon Ean	–	**–**	5,700,000	**5,700,000**
Wu Long Peng	800,000	**800,000**	133,333	**133,333**
Seow Kang Hoe, Gerald	400,000	**400,000**	–	**–**
In the Company				
Kuok Khoon Ean	–	**–**	1,725,000	**1,725,000**
Wu Long Peng	5,626,542	**5,626,542**	–#	**–#**
Seow Kang Hoe, Gerald	7,444,043	**7,444,043**	–#	**–#**
Ahmad Sufian @ Qurnain Bin Abdul Rashid	1,020,000	**1,020,000**	–	**–**
Ma Kah Woh	200,000	**200,000**	–	**–**
Jude Philomen Benny	250,000	**250,000**	38,000	**38,000**
Wee Joo Yeow	500,000	**500,000**	–	**–**

Please refer to details below on certain options granted to these Directors over existing shares of the Company.

The following Directors were granted options by Kuok (Singapore) Limited over shares it held in the Company, as follows:

	No. of options		Exercise Price per option share
Name	As at 1.1.2016	As at 31.12.2016	(US$)
Seow Kang Hoe, Gerald	3,750,000	**3,750,000**	0.5333
Wu Long Peng	2,812,500	**2,812,500**	0.5333

These options are to be exercised from 5 August 2015 to 4 August 2018 ("Option Exercise Period"). These options may be exercised on all or part of the option shares at any time during the Option Exercise Period, provided that where the option is exercised in part, it shall be in multiples of 18,750 shares.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017, except for Mr Seow Kang Hoe, Gerald whose direct interest has increased to 8,078,043 shares as at 21 January 2017.

DIRECTORS' STATEMENT

Directors' interests in shares or debentures (cont'd)

Share based incentive plans

The Company has in place two share-based incentive plans, namely the POSH Share Option Plan (the "**SOP**") and the POSH Performance Share Plan (the "**PSP**"), (collectively, the "**Share Plans**"). The Share Plans were approved by the shareholders of the Company at the Extraordinary General Meeting held on 28 March 2014.

The Company had adopted the Share Plans to reward, retain and motivate employees and Non-Executive Directors of the Group, as well as to align the interests of employees with the interests of the Group and its shareholders, thereby enhancing the long term growth of the Company and the Group. The Remuneration Committee administers the Share Plans.

During the financial year, the Company granted performance share awards, details are as follows:

PSP

Tranche 1: A total of 1,839,000 share awards were granted under the PSP. The vesting of the shares awards is subject to achievement of performance and/or service conditions as determined by the Remuneration Committee. The share awards shall vest on the third anniversary of the date of grant (i.e. 22 January 2019).

Tranche 2: A total of 1,873,000 share awards were granted under the PSP. The share awards were a one-time grant as an initial launch of the PSP scheme to key management personnel of the Company. The vesting of these share awards are not conditional on any performance criteria. The share awards vested on 31 December 2016.

Details of share awards granted to a Director of the Company are as follows:

	Number of share awards granted	
Name of Director	**Tranche 1**	**Tranche 2**
Seow Kang Hoe, Gerald	678,000	634,000

No awards have been granted to controlling shareholders or their associates, or parent group directors or employees.

No shares were issued by virtue of the exercise of options or the vesting of any performance share awards during the financial year.

No options were granted during the financial year.

There were no unissued shares under option at the end of the financial year.

No participant has received 5% or more of the total number of share awards available under the Share Plans during the financial year.

Except as disclosed in this report, no other Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or date of appointment, if later, or at the end of the financial year.

Subsequent to the financial year, pursuant to the vesting of the abovementioned Tranche 2 of the share awards granted under the PSP, the Company had transferred a total of 1,873,000 treasury shares to the eligible key management personnel of the Company.

DIRECTORS' STATEMENT

Directors' interests in shares or debentures (cont'd)

Share based incentive plans (cont'd)

Subsequent to the financial year, on 25 January 2017, the Company had awarded new batches of options and share awards under the Share Plans, details are as follows:

SOP

Tranche 1: A total of 1,549,000 options were granted to the eligible participants pursuant to the SOP, details are as follows:

- The exercise price of each option is fixed at S$0.34.
- The share options shall be exercised, in whole or in part, in accordance with the following vesting schedule:
  - (i) On or before 24 January 2018 – Nil
  - (ii) 25 January 2018 to 24 January 2019 – 50%
  - (iii) 25 January 2019 to 24 January 2020 – 30%
  - (iv) On or after 25 January 2020 – 20%
- All options are to be settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of the employees.

PSP

Tranche 3: A total of 1,962,000 share awards were granted under the PSP. The vesting of the share awards is subject to achievement of performance and/or service conditions as determined by the Remuneration Committee. The awards shall vest on the third anniversary of the award date (i.e. 25 January 2020).

Details of share awards granted to a Director of the Company are as follows:

Name of Director	Number of share awards granted Tranche 3
Seow Kang Hoe, Gerald	880,000

No awards have been made to controlling shareholders or their associates, or parent group directors or employees.

DIRECTORS' STATEMENT

Audit Committee

The Audit Committee ("**AC**") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal and external auditors;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

.....
GERALD SEOW KANG HOE
Director

.....
WU LONG PENG
Director

20 March 2017

INDEPENDENT AUDITOR'S REPORT

To the members of PACC Offshore Services Holdings Ltd.
for the financial year ended 31 December 2016

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PACC Offshore Services Holdings Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statements of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of PACC Offshore Services Holdings Ltd.
for the financial year ended 31 December 2016

Key Audit Matters (cont'd)

Impairment assessment of goodwill

We draw your attention to Note 2.6(d) and Note 4. The carrying amount of goodwill amounting to US$57,125,000 which represents 4% of total assets and 8% of total equity as at 31 December 2016 is subject to annual impairment testing.

The audit procedures over management's annual impairment test were significant to our audit because the assessment process is complex. This assessment requires management to make significant judgements on the selection of various assumptions that are affected by expected future market and economic conditions which continues to remain uncertain.

As disclosed in Note 4, the Group's goodwill is allocated to groups of cash generating units (CGUs). Management uses assumptions in respect of future market and economic conditions such as revenue and margin development, expected inflation rates and economic growth when performing the assessment. During the financial year ended 31 December 2016, impairment of US$111,178,000 was recognised to write down the goodwill of the offshore supply vessels CGU. The remaining amount of US$57,125,000 relates to the goodwill of the transportation and installation CGU.

We examined management's methodology used to assess the carrying value of the goodwill balances allocated to the transportation and installation CGU in accordance with FRS 36 Impairment of Assets. We reviewed the robustness of management's budgeting process by comparing the actual results achieved against previously forecasted budgets. Furthermore we also assessed whether these future cash flows were based on the budget approved by the Board of Directors. We assessed and tested the assumptions which the outcome of the impairment test is most sensitive to and data used by comparing them to external data such as analysts' reports. We corroborated revenue forecast against charter contracts and where contracts are not secured, we assessed reasonableness of forecasted rates against historical charter rates and utilisation rates.

Together with our internal valuation specialists, we assessed the appropriateness of key assumptions, notably the discount rate and long term growth rate. This included an assessment of the specific inputs to the discount rate, including the risk-free rate, equity risk premium and beta, along with gearing and cost of debt. Such inputs were benchmarked either against risk rates in specific international markets in which the Group operates or equivalent data for peer companies. We also reviewed management's analysis of the sensitivity of the goodwill balances to changes in the significant assumptions.

We also focused on the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on goodwill, key assumptions and sensitivities are included in Note 4.

Impairment assessment of vessels

We draw your attention to Note 2.6(b), Note 2.8 and Note 5. Due to the current state of the market, there is possibility of delays in projects arising from changes in capital investment by various customers and the risk of charterers renegotiating for lower rates. These have resulted in an indication of impairment of vessels. Management identified vessels whose carrying values had exceeded appraised values and had incurred operating losses during the financial year to be subjected for impairment assessment. The appraised values were based on open market values provided by an independent valuer.

This area was significant to our audit as the total carrying amounts of the vessels amounted to US$1,066,732,000, representing 80% of the total non-current assets as at 31 December 2016 and there are significant management's judgements involved in determining the recoverable value of vessels. The recoverable value is based on the higher of the fair value less cost of disposal and value-in-use of the vessels.

Our audit procedures included, amongst others, evaluating and assessing the assumptions and methodology used by management, considered the competence, capabilities and objectivity of its external independent valuer and also assessed the appropriateness of the data and key assumptions used by the external valuer such as specification of vessels. We also engaged our internal valuation specialist to support us in assessing the reasonableness of the external valuer's valuation methodology and key assumptions used and considered the appropriateness of the open market values. Based on management's assessment, US$194,213,000 impairment charges were recognised for the financial year ended 31 December 2016.

We also focused on the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on key assumptions and sensitivities are included in Note 5.

INDEPENDENT AUDITOR'S REPORT

To the members of PACC Offshore Services Holdings Ltd.
for the financial year ended 31 December 2016

Key Audit Matters (cont'd)

Recoverability of trade receivables

We draw your attention to Note 2.6(c) and Note 11. Trade receivable balances were significant to the Group as they represent 4% of the total assets on the statements of financial position. The Group charters its vessels to customers which deploy the vessels in many countries, giving rise to exposures such as foreign currency controls and political risks. Trade receivables impairment assessment requires significant management judgment hence we determined that this is a key audit matter.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group's management supports subsidiaries in setting credit limits for customers and approves such limits above certain thresholds where applicable.

We assessed the Group's processes and key controls relating to the monitoring of trade receivables and considered aging to identify collection risks. We performed audit procedures, amongst others, sending trade receivable confirmations, and reviewing for collectability by way of obtaining evidence of subsequent receipts from the trade receivables. We had discussions with management on the recoverability of long outstanding debts, analysed trend of collections for particular trade debtors and reviewed legal case file for disputes. We also selected samples to test cut-off of revenue transactions through verification of contracts and invoices. We assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 11, 30(c) and 30(d). Based on management's assessment, impairment charges of US$13,768,000 on trade receivables were recognised for the financial year ended 31 December 2016.

Impairment of investments and amounts due from subsidiaries

The investment in subsidiaries are accounted for at cost less impairment losses in the Company's financial statements. These subsidiaries are vessel owning companies. The impairment assessment was significant to our audit due to the total carrying amount of subsidiaries and amount due from subsidiaries which amounted to 84% of the Company's total assets as at 31 December 2016 and there are significant management's judgements involved in the impairment assessment process.

The results of the audit procedures discussed in the preceding paragraphs relating to impairment assessment of vessels held as fixed assets and other factors such as the various subsidiaries' historical and current performances, financial position and the estimated probability of future cash flows are taken into consideration when assessing the impairment of investments and amounts due from subsidiaries. Based on management's assessment, impairment charges of US$25,246,000 on investment in subsidiaries and US$152,477,000 on amount due from subsidiaries were recognised during the financial year ended 31 December 2016.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

To the members of PACC Offshore Services Holdings Ltd.
for the financial year ended 31 December 2016

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the members of PACC Offshore Services Holdings Ltd.
for the financial year ended 31 December 2016

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yee Woon Yim.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore

20 March 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Note	Group		Company	
		2016	2015	**2016**	2015
		US$'000	US$'000	**US$'000**	US$'000
Assets					
Non-Current Assets					
Goodwill	4	**57,125**	168,303	**–**	–
Fixed assets	5	**1,184,927**	1,278,147	**96,638**	46,861
Intangible assets	6	**12**	29	**–**	1
Due from joint ventures	12	**21,834**	22,871	**21,834**	22,871
Investment in subsidiaries	26	**–**	–	**331,616**	356,662
Interest in joint ventures	7	**63,189**	76,734	**44,507**	48,317
Receivables and other non-current assets	8	**1,982**	11,289	**–**	–
Derivatives	9	**5,600**	–	**–**	–
		1,334,669	1,557,373	**494,595**	474,712
Current Assets					
Consumables	10	**1,677**	805	**–**	–
Receivables and other current assets	11	**79,626**	93,761	**3,443**	4,386
Due from subsidiaries and joint ventures	12	**71,490**	65,914	**860,585**	1,197,635
Due from related companies	12	**523**	187	**–**	–
Cash and cash equivalents	13	**15,058**	13,779	**3,850**	2,003
		168,374	174,446	**867,878**	1,204,024
Fixed assets classified as held-for-sale	14	**2,547**	1,791	**–**	–
		170,921	176,237	**867,878**	1,204,024
Total Assets		**1,505,590**	1,733,610	**1,362,473**	1,678,736
Equity and Liabilities					
Equity Attributable to Shareholders					
Share capital	15(a)	**827,201**	827,201	**827,201**	827,201
Treasury shares	15(b)	**(1,828)**	(1,669)	**(1,828)**	(1,669)
Accumulated (losses)/retained profits		**(142,939)**	235,213	**14,602**	218,079
Other reserves	16	**5,898**	298	**–**	–
		688,332	1,061,043	**839,975**	1,043,611
Non-controlling interest		**(69)**	–	**–**	–
		688,263	1,061,043	**839,975**	1,043,611
Non-Current Liabilities					
Bank borrowings	17	**439,225**	–	**200,000**	–
Deferred tax liabilities		**414**	138	**–**	–
		439,639	138	**200,000**	–
Current Liabilities					
Payables and accruals	18	**73,561**	69,247	**20,259**	19,463
Advances received from customers	19	**198**	3,400	**–**	–
Due to subsidiaries and joint ventures	20	**29,301**	29,079	**49,027**	46,442
Due to related companies	20	**2,505**	7,051	**2,402**	6,868
Due to holding company	21	**195**	584	**195**	584
Bank borrowings	17	**269,107**	559,730	**248,487**	559,730
Provision for taxation		**2,821**	3,338	**2,128**	2,038
		377,688	672,429	**322,498**	635,125
Total Liabilities		**817,327**	672,567	**522,498**	635,125
Net Current (Liabilities)/Assets		**(206,767)**	(496,192)	**545,380**	568,899
Net Assets		**688,263**	1,061,043	**839,975**	1,043,611
Total Equity and Liabilities		**1,505,590**	1,733,610	**1,362,473**	1,678,736

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2016

	Note	Group 2016 US$'000	2015 US$'000
Revenue	3	**183,100**	280,820
Cost of sales		**(178,115)**	(222,794)
Gross profit		**4,985**	58,026
Other expenses, net	22	**(302,793)**	(135,565)
Distribution costs		**(1,002)**	(1,691)
General and administrative expenses		**(43,277)**	(30,018)
Finance costs	23	**(14,412)**	(10,357)
Share of joint ventures' results		**(13,814)**	(9,526)
Loss before taxation	24	**(370,313)**	(129,131)
Taxation	25	**(1,271)**	(1,828)
Net loss for the year		**(371,584)**	(130,959)
Loss attributable to:			
Equity holders of the Company		**(371,448)**	(130,959)
Non-controlling interest		**(136)**	–
		(371,584)	(130,959)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
Fair value gain		**5,600**	–
Other comprehensive income, net of tax		**5,600**	–
Total comprehensive loss for the year		**(365,984)**	(130,959)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(365,848)**	(130,959)
Non-controlling interest		**(136)**	–
		(365,984)	(130,959)
Loss per share (cents per share)			
Basic	35	**(20.50)**	(7.20)
Diluted	35	**(20.50)**	(7.20)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

		Attributable to shareholders of the Company							
Group	**Note**	**Share Capital US$'000**	**Treasury Shares US$'000**	**Retained Profits/ Accumulated (Losses) US$'000**	**Other Reserves US$'000**	**Exchange Reserve US$'000**	**Hedging Reserve US$'000**	**Non-Controlling Interest US$'000**	**Total Equity US$'000**
Balance at 1 January 2016		**827,201**	**(1,669)**	**235,213**	**298**	**298**	**–**	**–**	**1,061,043**
Purchase of treasury shares	15(b)	**–**	**(159)**	**–**	**–**	**–**	**–**	**–**	**(159)**
Incorporation of subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**67**	**67**
Dividends	34	**–**	**–**	**(6,704)**	**–**	**–**	**–**	**–**	**(6,704)**
Net loss for the year		**–**	**–**	**(371,448)**	**–**	**–**	**–**	**(136)**	**(371,584)**
Other comprehensive income for the year		**–**	**–**	**–**	**5,600**	**–**	**5,600**	**–**	**5,600**
Total comprehensive loss for the year		**–**	**–**	**(371,448)**	**5,600**	**–**	**5,600**	**(136)**	**(365,984)**
Balance at 31 December 2016		**827,201**	**(1,828)**	**(142,939)**	**5,898**	**298**	**5,600**	**(69)**	**688,263**
Balance at 1 January 2015		827,201	–	386,265	298	298	–	–	1,213,764
Purchase of treasury shares	15(b)	–	(1,669)	–	–	–	–	–	(1,669)
Dividends	34	–	–	(20,093)	–	–	–	–	(20,093)
Net loss and total comprehensive loss for the year		–	–	(130,959)	–	–	–	–	(130,959)
Balance at 31 December 2015		827,201	(1,669)	235,213	298	298	–	–	1,061,043

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

Company	Note	Share Capital US$'000	Treasury Shares US$'000	Retained Profits US$'000	Total Equity US$'000
Balance at 1 January 2016		**827,201**	**(1,669)**	**218,079**	**1,043,611**
Purchase of treasury shares	15(b)	**–**	**(159)**	**–**	**(159)**
Dividends	34	**–**	**–**	**(6,704)**	**(6,704)**
Net loss and total comprehensive loss for the year		**–**	**–**	**(196,773)**	**(196,773)**
Balance at 31 December 2016		**827,201**	**(1,828)**	**14,602**	**839,975**
Balance at 1 January 2015		827,201	–	293,522	1,120,723
Purchase of treasury shares	15(b)	–	(1,669)	–	(1,669)
Dividends	34	–	–	(20,093)	(20,093)
Net loss and total comprehensive loss for the year		–	–	(55,350)	(55,350)
Balance at 31 December 2015		827,201	(1,669)	218,079	1,043,611

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the financial year ended 31 December 2016

	2016 US$'000	2015 US$'000
Cash Flow from Operating Activities		
Loss before taxation	**(370,313)**	(129,131)
Adjustments for:		
Amortisation of prepayments	**364**	461
Amortisation of intangible assets	**33**	75
Depreciation of fixed assets	**69,626**	60,655
Bad debts written off	**1,882**	–
Allowance for doubtful debts – trade	**13,768**	2,004
Fixed assets written off	**505**	210
Impairment of fixed assets	**198,950**	21,437
Impairment of goodwill	**111,178**	127,000
Gain on disposal of fixed assets	**(352)**	(4,066)
Share of joint ventures' results	**13,814**	9,526
Unrealised exchange gain	**(320)**	(6)
Interest expense	**14,412**	10,357
Interest income	**(2,259)**	(3,217)
Operating cash flow before working capital changes	**51,288**	95,305
(Increase)/decrease in consumables	**(872)**	1,632
Increase in receivables and other assets	**(27)**	(13,163)
Increase/(decrease) in payables and accruals	**1,226**	(4,355)
Cash generated from operating activities	**51,615**	79,419
Interest paid	**(14,139)**	(9,689)
Interest received	**2,256**	2,755
Income taxes paid	**(1,512)**	(2,902)
Net cash generated from operating activities	**38,220**	69,583
Cash Flow from Investing Activities		
Acquisition of intangible assets	**(16)**	–
Acquisition of fixed assets	**(171,049)**	(258,193)
Proceeds from disposal of fixed assets	**2,239**	2,156
(Increase)/decrease in due from joint ventures	**(4,587)**	206,087
Net cash used in investing activities	**(173,413)**	(49,950)
Cash Flow from Financing Activities		
Capital injection from non-controlling interest of a subsidiary	**67**	–
Proceeds from/(repayment of) bank borrowings	**148,602**	(770)
Dividends paid	**(6,704)**	(20,093)
Purchase of treasury shares	**(159)**	(1,669)
(Decrease)/increase in due to joint ventures and related companies	**(5,265)**	3,938
(Decrease)/increase in due to holding company	**(389)**	566
Net cash generated from/(used in) financing activities	**136,152**	(18,028)
Net increase in cash and cash equivalents	**959**	1,605
Effect of exchange rate changes on cash and cash equivalents	**320**	6
Cash and cash equivalents at beginning of year	**13,779**	12,168
Cash and cash equivalents at end of year (Note 13)	**15,058**	13,779

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

1. General information

The financial statements of the Group and the Company for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors passed on 20 March 2017.

The Company, which is a limited liability company, is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at No. 1 Kim Seng Promenade, #07-02 and #06-01 Great World City, Singapore 237994 respectively.

The principal activities of the Company are in the business of general shipping and investment holding. The principal activities of the subsidiaries, which provide offshore marine support services, are disclosed in Note 26 to the financial statements.

The immediate and ultimate holding company is Kuok (Singapore) Limited, incorporated in the Republic of Singapore.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group, statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("US$" or "USD") and all values are rounded to the nearest thousand (US$'000) unless otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

The financial statements have been prepared on a going concern basis. The Group has a net current liability position of US$206,767,000 (2015: US$496,192,000) as at 31 December 2016 mainly due to uncommitted revolving loans of US$248,487,000 being due for repayment in the following 12 months. The uncommitted revolving loans outstanding as at 31 December 2016 has been classified as current liability as this funding is subject to the banks' continued approval to be refinanced. These uncommitted facilities agreements expire in July 2021. In the opinion of the Directors, the Group will be able to generate positive cash flows from operations as well as with continued funding from lenders to meet their financial obligations as and when they fall due.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 109, FRS 115 and FRS 116, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below:

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on statements of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and liabilities, EBITDA and gearing ratio.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units ("CGU") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGUs to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.6 Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Depreciation of vessels

The Group's cost of vessels, less their estimated scrap value, is depreciated on a straight-line basis over the estimated useful life. The useful lives and scrap values of the vessels are based on estimations and these are common estimates applied in the shipping industry. Changes in market situation and individual condition of the vessels might impact the economic useful life and the scrap value. Accordingly, future depreciation charges could be subject to revision. The carrying amount of the Group's vessels at the end of each reporting period is detailed in Note 5 to the financial statements. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately a 1% and 2% variance in the Group's losses for the financial years ended 31 December 2016 and 2015 respectively.

(b) Impairment of vessels

The Group determines the recoverable amount of vessels based on the higher of its fair value less costs to sell and its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or CGU by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, management engages the services of professional valuers to determine the fair values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions. The carrying amount of the Group's vessels is disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.6 Significant accounting judgments and estimates (cont'd)

(c) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flow are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 32.

(d) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose suitable discount rates in order to calculate the present value of those cash flow. The key assumptions applied in the determination of the value in use including sensitivity analysis, are disclosed and further explained in Note 4 to the financial statements. The carrying amount of the Group's goodwill as at 31 December 2016 is disclosed in Note 4.

2.7 Foreign currency

The financial statements are presented in USD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.7 Foreign currency (cont'd)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of joint ventures that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.8 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the fixed assets. The cost of an item of fixed assets is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of fixed assets are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Vessels under construction included in fixed assets are not depreciated as these assets are not yet available for use.

Cost includes the cost of any major enhancement which increases the future benefits from the vessels beyond their previously assessed standard of performance and is written off over the vessels' remaining useful lives. Expenditure for maintenance and repairs and replacement of equipment are charged to profit or loss when incurred.

Depreciation of new vessels is calculated utilising the straight-line method to write off the cost, less estimated scrap value over their estimated useful lives of 20 to 30 years, whilst for vessels purchased second-hand, depreciation is calculated utilising the straight-line method to write off the cost, less estimated scrap value over their remaining useful lives.

Drydocking costs, which enhance the useful lives of vessels, are capitalised in the month in which they are incurred and amortised over periods between 2 to 3 years until the next drydocking.

For acquisitions and disposals of vessels and drydocking costs during the financial year, depreciation is provided from the day of acquisition and to the day before disposal respectively. Fully depreciated assets are retained in the books until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.8 Fixed assets (cont'd)

Depreciation is computed on a straight-line basis over the estimated useful lives of the other assets from the month of acquisition to the month before disposal as follows:

Office equipment	–	5 years
Computer hardware	–	3 years
Furniture and fittings	–	10 years
Motor vehicles	–	5 years
Renovation	–	3 years
Plant and machinery	–	3 – 5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Costs relating to computer software acquired, which are not an integral part of related hardware, are capitalised and amortised on a straight-line basis over their useful life of 3 years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflow that is largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flow expected to be generated by the asset is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flow after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.12 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group account for its investments in joint ventures using the equity method from the date on which it becomes a joint venture. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of a joint venture company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of the results of operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interests in the joint ventures.

Where the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.13 Prepayments

Prepayments comprise primarily advances paid for charter hire of vessels. The costs incurred are amortised over the period of the charter hire contract.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on the classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.15 Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.16 Consumables

Consumables include consumable stores such as lubricant oil stocks, bunkers and ship provisions, are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all obsolete and slow-moving items.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and deposits with financial institutions which are subject to insignificant risk of change in value.

2.18 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.20 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

(c) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management personnel are considered key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the income statement over the lease term on a straight-line basis.

The Group's operating leases primarily relate to the rental of its office premises.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for charter hire income is set out in Note 2.23. Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Non-current assets held for sale

Non-current assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Fixed assets once classified as held for sale are not depreciated.

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

Charter hire income

Revenue from charter hire is recognised on a time-apportioned basis. Charter hire relates to the provision of marine related services such as transportation, towing, mooring, installation and salvage.

Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.24 Income taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.24 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.25 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.27 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.28 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedge items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months.

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedge reserve and reclassified to profit and loss when the hedged interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit and loss.

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their service which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

2 Summary of significant accounting policies (cont'd)

2.30 Related parties

A related party is defined as follows:

(a) a person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) an entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is controlled or jointly controlled by a person identified in (a); or

(vi) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3 Revenue

Revenue represents income derived from the deployment of vessels and related marine services such as transportation, towing, mooring, installation and salvage.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

4. Goodwill

The carrying amounts of goodwill are allocated as follows:

	Group	
	2016	2015
	US$'000	US$'000
Offshore supply vessels	**–**	111,178
Transportation and installation	**57,125**	57,125
	57,125	168,303

Impairment testing on goodwill

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	2016	2015
	%	%
Pre-tax discount rates	**8.0**	8.0
Growth rates	**2.0**	2.0

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

(a) Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

(b) Growth rates – The forecasted growth rates are based on management's estimation derived from past experience and external sources of information available.

(c) Both charter and utilisation rates are based on reference to current trend and historical performance.

Impairment recognised

During the financial year ended 31 December 2016, impairment of US$111,178,000 was recognised to write-down in full the carrying amount of the offshore supply vessels ("OSV") CGU. In the prior year, impairment of US$81,348,000, US$38,946,000 and US$6,706,000 were recognised to write-down the OSV, transportation and installation ("T&I") and harbour services and emergency response ("HSER") CGUs, respectively. The total impairment of US$111,178,000 (2015: US$127,000,000) was recognised in "Other expense, net" line of the consolidated statement of comprehensive income.

Sensitivity to changes in assumptions

With regards to the assessment of value in use, the estimated recoverable amount was lower than its carrying amount by approximately US$111,178,000 (2015: US$127,000,000). With regards to the assessment of value in use for the T&I CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the T&I CGU to exceed its recoverable amount. In the prior year, an increase in the pre-tax discount rate by 0.1%, would in isolation, lead to further impairment of US$16,900,000.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

5 Fixed assets

Group	Vessels US$'000	Office equipment US$'000	Computer hardware US$'000
Cost			
At 1 January 2015	909,889	209	893
Additions	162,392	9	140
Transfers from vessels under construction	150,189	–	–
Disposals/write-offs	(15,867)	(80)	(82)
Transfer to assets held-for-sale (Note 14)	(2,700)	–	–
At 31 December 2015 and 1 January 2016	1,203,903	138	951
Additions	7,227	–	287
Transfers from vessels under construction	305,999	–	–
Disposals/write-offs	(1,998)	–	(399)
Transfer to assets held-for-sale (Note 14)	(17,221)	–	–
Impairment	–	–	–
At 31 December 2016	**1,497,910**	**138**	**839**
Accumulated depreciation and impairment			
At 1 January 2015	118,020	61	343
Depreciation for the year	56,843	35	192
Impairment	21,437	–	–
Disposals/write-offs	(6,231)	(27)	(74)
Transfer to assets held-for-sale (Note 14)	(909)	–	–
At 31 December 2015 and 1 January 2016	189,160	69	461
Depreciation for the year	65,484	25	247
Impairment	194,213	–	–
Disposals/write-offs	(1,214)	–	(382)
Transfer to assets held-for-sale (Note 14)	(16,465)	–	–
At 31 December 2016	**431,178**	**94**	**326**
Net book value			
At 31 December 2016	**1,066,732**	**44**	**513**
At 31 December 2015	1,014,743	69	490

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

Furniture and fittings US$'000	Motor vehicles US$'000	Renovation US$'000	Vessels under construction US$'000	Drydocking cost US$'000	Plant and machinery US$'000	Total US$'000
222	374	379	318,132	2,763	1,132	1,233,993
52	–	363	88,278	6,928	31	258,193
–	–	–	(150,189)	–	–	–
–	(174)	–	–	(220)	(328)	(16,751)
–	–	–	–	–	–	(2,700)
274	200	742	256,221	9,471	835	1,472,735
34	144	444	167,637	1,520	257	177,550
–	–	–	(305,999)	–	–	–
(52)	–	(521)	–	(1,103)	(230)	(4,303)
–	–	–	–	–	–	(17,221)
–	–	–	(4,737)	–	–	(4,737)
256	**344**	**665**	**113,122**	**9,888**	**862**	**1,624,024**
146	123	343	–	834	434	120,304
22	69	17	–	3,256	221	60,655
–	–	–	–	–	–	21,437
–	(77)	–	–	(164)	(326)	(6,899)
–	–	–	–	–	–	(909)
168	115	360	–	3,926	329	194,588
27	56	168	–	3,419	200	69,626
–	–	–	–	–	–	194,213
–	–	(162)	–	(1,024)	(83)	(2,865)
–	–	–	–	–	–	(16,465)
195	**171**	**366**	**–**	**6,321**	**446**	**439,097**
61	**173**	**299**	**113,122**	**3,567**	**416**	**1,184,927**
106	85	382	256,221	5,545	506	1,278,147

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

5 Fixed assets (cont'd)

Company	Office equipment US$'000	Computer hardware US$'000	Furniture and fittings US$'000	Motor vehicles US$'000	Renovation US$'000	Vessels under construction US$'000	Total US$'000
Cost							
At 1 January 2015	119	89	221	199	158	33,483	34,269
Additions	9	40	52	–	343	78,379	78,823
Transfer to subsidiaries	–	–	–	–	–	(65,656)	(65,656)
At 31 December 2015 and 1 January 2016	128	129	273	199	501	46,206	47,436
Additions	–	202	13	–	399	92,367	92,981
Transfer to subsidiaries	–	–	–	–	–	(38,476)	(38,476)
Disposals/write-offs	–	(15)	(52)	–	(501)	–	(568)
Impairment	–	–	–	–	–	(4,056)	(4,056)
At 31 December 2016	**128**	**316**	**234**	**199**	**399**	**96,041**	**97,317**
Accumulated depreciation							
At 1 January 2015	35	60	146	72	158	–	471
Depreciation for the year	25	17	22	40	–	–	104
At 31 December 2015 and 1 January 2016	60	77	168	112	158	–	575
Depreciation for the year	24	42	24	41	130	–	261
Disposals/write-offs	–	–	–	–	(157)	–	(157)
At 31 December 2016	**84**	**119**	**192**	**153**	**131**	**–**	**679**
Net book value							
At 31 December 2016	**44**	**197**	**42**	**46**	**268**	**96,041**	**96,638**
At 31 December 2015	68	52	105	87	343	46,206	46,861

During the year, the Group's vessels with an aggregate carrying value of US$398,859,000 (2015: US$ Nil) were mortgaged to secure the Group's term loans (Note 17).

Impairment of fixed assets

During the financial year, the Group carried out a review of the recoverable amount of its vessels and vessels under construction in view of the depressed conditions in the offshore marine sector. An impairment of US$194,213,000 (2015: US$21,437,000) and US$4,737,000 (2015: US$ Nil), representing the write-down of these vessels and vessels under construction respectively to their recoverable amounts was recognised. The recoverable amount of these vessels and vessels under construction was based on the higher of fair value less cost of disposal or value in use. The fair value less cost of disposal was determined by an independent valuer. The pre-tax discount rate applied to value in use computations in the prior year was 8.0% per annum.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

6 Intangible assets

The intangible assets comprise separately acquired software.

	Group US$'000	Company US$'000
Cost		
At 1 January 2015, 31 December 2015 and 1 January 2016	895	649
Addition	16	–
At 31 December 2016	**911**	**649**
Accumulated amortisation		
At 1 January 2015	791	616
Amortisation	75	32
At 31 December 2015 and 1 January 2016	866	648
Amortisation	33	1
At 31 December 2016	**899**	**649**
Net carrying amount		
At 31 December 2016	**12**	**–**
At 31 December 2015	29	1

7 Interest in joint ventures

	Group		Company	
	2016 US$'000	2015 US$'000	**2016 US$'000**	2015 US$'000
Unquoted equity investments, at cost	**57,624**	59,779	**39,338**	39,338
Impairment	**–**	–	**(20,178)**	(16,368)
	57,624	59,779	**19,160**	22,970
Share of post-acquisition reserves	**(646)**	12,874	**–**	–
Deferred income	**(19,136)**	(21,266)	**–**	–
Receivables from a joint venture	**25,347**	25,347	**25,347**	25,347
	63,189	76,734	**44,507**	48,317

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

7 Interest in joint ventures (cont'd)

During the current financial year, management performed impairment testing for the Company's investment in certain joint ventures. Based on assessment of the joint ventures' historical and current performance, estimated value and probability of future cash flows, the Company has made an allowance for impairment against the respective investments amounting to US$3,810,000 (2015: US$16,368,000).

Deferred income relates to unrealised gains on disposal of vessels to joint ventures. Receivables from a joint venture arose from the disposal of vessels to a joint venture for which repayment is neither planned nor likely to occur in the foreseeable future.

The Company also received dividends of US$2,155,000 (2015: US$ Nil) from POSH Terasea Pte. Ltd. during the financial year.

The joint ventures are as follows:

Name of Joint Venture	Country of Incorporation	Proportion of Ownership Interest		Principal Activities
		2016	2015	
		%	%	
Pacific Workboats Pte. Ltd.[1]	Singapore	**50.0**	50.0	Owner and operator of vessels
POSH Havila Pte. Ltd.[1]	Singapore	**50.0**	50.0	Owner and operator of vessels
Nimitrans Pte. Ltd.[1]	Singapore	**50.0**	50.0	Owner and operator of vessels
POSH Terasea Pte. Ltd. and its subsidiaries[1]	Singapore	**50.0**	50.0	Owner and operator of vessels
PT Win Offshore[2]	Indonesia	**49.0**	49.0	Owner and operator of vessels
PT Mandiri Abadi Maritim[2]	Indonesia	**49.0**	49.0	Owner and operator of vessels
Servicios Maritimos Gosh, S.A.P.I. de C.V.[3]	Mexico	**73.5**	73.5	Offshore business
PACC Offshore Mexico S.A. de C.V.[3]	Mexico	**49.0**	49.0	Offshore business
Servicios Maritimos POSH, S.A.P.I. de C.V. and its subsidiaries[3]	Mexico	**49.0**	49.0	Offshore business

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by RSM Indonesia
(3) Not required to be audited in accordance with the laws of the country of incorporation

Aggregate information about the Group's interest in joint ventures that are not individually material is as follows:

	Group	
	2016	2015
	US$'000	US$'000
Loss after taxation – representing total comprehensive loss	**(13,549)**	(10,304)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

7 Interest in joint ventures (cont'd)

The activities of the joint ventures are strategic to the Group's activities. The summarised financial information in respect of Pacific Workboats Pte. Ltd. and POSH Terasea Pte. Ltd. and its subsidiaries ("POSH Terasea Group") and a reconciliation with the carrying amounts of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position

Group	Pacific Workboats Pte. Ltd. US$'000	POSH Terasea Group US$'000
At 31 December 2016		
Cash and cash equivalents	**904**	**11,195**
Current assets	**10,211**	**11,167**
Non-current assets	**90,955**	**205,832**
Total assets	**102,070**	**228,194**
Current liabilities	**11,161**	**43,542**
Non-current liabilities	**7,124**	**161,573**
Total liabilities	**18,285**	**205,115**
Net assets	**83,785**	**23,079**
Group's effective interest	**50%**	**50%**
Group's share of net assets	**41,893**	**11,540**
Other adjustment	**–**	**6,964**
Carrying amount of investment	**41,893**	**18,504**

	Servicios Maritimos Gosh S.A.P.I. de C.V. US$'000	Pacific Workboats Pte. Ltd. US$'000	POSH Terasea Group US$'000
At 31 December 2015			
Cash and cash equivalents	4	1,350	12,386
Current assets	9,830	12,734	19,927
Non-current assets	–	85,570	225,215
Total assets	9,834	99,654	257,528
Current liabilities	20,525	10,968	40,197
Non-current liabilities	–	–	184,177
Total liabilities	20,525	10,968	224,374
Net (liabilities)/assets	(10,691)	88,686	33,154
Group's effective interest	73.5%	50%	50%
Group's share of net (liabilities)/assets	(7,858)	44,343	16,577
Share of additional losses	(2,833)	–	–
Other adjustment	10,691	–	5,837
Carrying amount of investment	–	44,343	22,414

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

7 Interest in joint ventures (cont'd)

Summarised statement of comprehensive income

Group	Pacific Workboats Pte. Ltd. US$'000	POSH Terasea Group US$'000
2016		
Revenue	**16,242**	**75,260**
Depreciation and amortisation	**(6,322)**	**(18,080)**
Other operating expenses	**(14,573)**	**(60,550)**
Interest expense (net)	**(157)**	**(4,383)**
Taxation	**(90)**	**–**
Loss after taxation	**(4,900)**	**(7,753)**
Other comprehensive income	**–**	**–**
Total comprehensive income	**(4,900)**	**(7,753)**

	Servicios Maritimos Gosh S.A.P.I. de C.V. US$'000	Pacific Workboats Pte. Ltd. US$'000	POSH Terasea Group US$'000
2015			
Revenue	3,836	19,790	81,717
Depreciation and amortisation	(2,350)	(5,544)	(17,396)
Other operating expenses	(4,952)	(9,613)	(44,260)
Interest expense	–	(95)	(4,330)
Taxation	–	(244)	–
(Loss)/profit after taxation	(3,466)	4,294	15,731
Other comprehensive income	–	–	–
Total comprehensive income	(3,466)	4,294	15,731

8 Receivables and other non-current assets

	Group	
	2016 US$'000	2015 US$'000
Prepayments	**1,982**	3,774
Other receivables	**–**	7,515
	1,982	11,289

Prepayments relate to advances paid for charter hire of vessels.

In the prior financial year, other receivables relate to receivables from the sale of a vessel for which collection was not expected to be made within the next 12 months. The other receivables was denominated in United States Dollar. The sale was terminated and the vessel was returned to the Group in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

9 Derivatives

	Contract notional amount	Group Fair value	
		Asset	Liability
	US$'000	US$'000	US$'000
2016			
Derivatives held for hedging			
Cash-flow hedges			
– Interest rate swaps	**199,535**	5,600	–

During the current financial year, the Group entered into interest rate swaps in respect of interest rates payable on its borrowings. The interest rate swaps receive floating interest equal to 3 months LIBOR, pay fixed rate of interest ranging from 1.280% to 1.525% per annum and matures between 18 January 2023 to 11 April 2023. There were no interest rate swaps entered into by the Group in the prior financial year.

10 Consumables

Consumables mainly comprised bunkers on board vessels.

11 Receivables and other current assets

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**55,245**	70,493	**–**	–
Other receivables	**17,611**	16,670	**273**	361
Deposits	**4,015**	5,072	**3,104**	3,970
	76,871	92,235	**3,377**	4,331
Prepayments	**2,755**	1,526	**66**	55
	79,626	93,761	**3,443**	4,386

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

11 Receivables and other current assets (cont'd)

Receivables that are past due but not impaired

As at 31 December 2016 and 2015, the Group has trade receivables amounting to US$14,953,000 and US$50,203,000 respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting periods is as follows:

	Group	
	2016	2015
	US$'000	US$'000
Less than 3 months	**9,337**	22,446
3 to 6 months	**706**	6,300
More than 6 months	**4,910**	21,457
	14,953	50,203

Receivables that are impaired

The Group has trade receivables that are impaired at the end of the reporting period and the movements of allowance account used to record the impairment are as follows:

	2016	2015
	US$'000	US$'000
Trade receivables – nominal amounts	**34,473**	16,336
Allowance for impairment	**(29,288)**	(16,336)
	5,185	–

Movements in allowance account:

	2016	2015
	US$'000	US$'000
At 1 January	**16,336**	18,181
Allowance during the year	**13,768**	2,004
Provision written-off	**(816)**	(3,849)
At 31 December	**29,288**	16,336

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other receivables comprised the following amounts:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Claim receivables	**5,886**	4,940	**–**	–
Capitalised charter cost	**3,909**	5,744	**–**	–
Advances	**6,426**	2,677	**–**	–
Others	**1,390**	3,309	**273**	361
	17,611	16,670	**273**	361

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

11 Receivables and other current assets (cont'd)

Receivables and other current assets are denominated in the following currencies:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
United States Dollar	**62,311**	81,623	**209**	137
Singapore Dollar	**10,951**	9,185	**3,234**	4,189
Others	**6,364**	2,953	**–**	60
	79,626	93,761	**3,443**	4,386

12 Due from subsidiaries, joint ventures and related companies

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Current				
Due from subsidiaries (non-trade)	**–**	–	**810,150**	1,137,449
Due from joint ventures				
– Trade	**16,858**	15,575	**–**	–
– Non-trade	**54,632**	50,339	**50,435**	60,186
	71,490	65,914	**860,585**	1,197,635
Due from related companies (non-trade)	**523**	187	**–**	–
	72,013	66,101	**860,585**	1,197,635
Non-current				
Due from joint ventures (non-trade)	**21,834**	22,871	**21,834**	22,871
Total	**93,847**	88,972	**882,419**	1,220,506

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and receivable on demand.

The current amounts due from joint ventures are unsecured and interest-free, except for amounts of US$6,950,000 (2015: US$3,937,000) which are unsecured, subordinated to the borrowings under loan facilities undertaken and bear interest at a range of 1.62% to 5% (2015: 1.47% to 5%) per annum.

Non-current amounts of US$20,217,000 (2015: US$22,871,000) owing from joint ventures are unsecured, subordinated to the borrowings under loan facilities undertaken and bear interest at a range of 1.62% to 5% (2015: 1.47% to 5%) per annum. The settlements of these amounts are based on expected cash flows to be derived over a period of 10 (2015: 11) years.

Due from subsidiaries and joint ventures that are impaired

Based on assessments of the subsidiaries and joint ventures historical and current performances, estimated value and probability of future cash flows, the Company has provided an allowance of US$152,477,000 (2015: US$24,495,000) and US$2,934,000 (2015: US$ Nil) on receivables due from subsidiaries and a joint venture respectively.

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for the financial year ended 31 December 2016

13 Cash and cash equivalents

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Cash at banks and on hand	**14,178**	13,779	**2,970**	2,003
Short-term deposits	**880**	–	**880**	–
	15,058	13,779	**3,850**	2,003

Cash at banks and on hand relate to cash and bank balances which earn interest at daily bank rates.

Short-term deposits are made for varying periods of between one and nineteen days, depending on the immediate cash requirements of the Group and the Company, and earns interest at rates between 0.1% to 0.6% (2015: Nil %) per annum.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
United States Dollar	**12,456**	12,306	**1,994**	658
Singapore Dollar	**1,864**	1,358	**1,848**	1,345
Others	**738**	115	**8**	–
	15,058	13,779	**3,850**	2,003

14 Fixed assets classified as held-for-sale

	Note	Group US$'000
At 1 January 2015		575
Disposals		(575)
Transfer from fixed assets	5	1,791
At 31 December 2015 and 1 January 2016		1,791
Transfer from fixed assets	5	756
At 31 December 2016		**2,547**

The Group had entered into agreements with various third parties for the sale of vessels. Accordingly, these vessels have been classified as held-for-sale as at the end of financial year. Prior to the reclassification of these vessels from fixed assets, the Group had recognised an impairment of US$8,029,000 (2015: US$ Nil) to write down these vessels to the lower of its carrying amount and fair value less costs to sell. Subsequent to the financial year, the Group completed the disposal of vessels classified as held-for-sale.

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for the financial year ended 31 December 2016

15 (a) Share capital

	Group and Company			
	2016		2015	
	No. of ordinary shares '000	**US$'000**	No. of ordinary shares '000	US$'000
Issued and fully paid:				
At 1 January and 31 December	**1,820,000**	**827,201**	1,820,000	827,201

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	2016		2015	
	No. of ordinary shares '000	**US$'000**	No. of ordinary shares '000	US$'000
At 1 January	**7,295**	**1,669**	–	–
Acquired during the financial year	**758**	**159**	7,295	1,669
At 31 December	**8,053**	**1,828**	7,295	1,669

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 758,000 (2015: 7,295,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was US$159,000 (2015: US$1,669,000) and this has been presented as a component within shareholders' equity.

16 Other reserves

Foreign currency translation reserve

This represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Hedge reserve

This represents the fair value changes on the effective portion of interest rate swaps designated as cash flow hedges.

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17 Bank borrowings

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Current				
– Uncommitted revolving loans	**248,487**	259,730	**248,487**	259,730
– Committed revolving loans	**–**	300,000	**–**	300,000
– Term loans	**20,620**	–	**–**	–
	269,107	559,730	**248,487**	559,730
Non-current				
– Committed revolving loans	**200,000**	–	**200,000**	–
– Term loans	**239,225**	–	**–**	–
	439,225	–	**200,000**	–
Total	**708,332**	559,730	**448,487**	559,730

Revolving loans (unsecured)

In January 2016, the Company entered into facility agreements with two banks that provided committed revolving loans of US$200,000,000 and uncommitted revolving loans of US$350,000,000. The revolving loans are due to expire in July 2021.

The committed revolving loans of US$200,000,000 are repayable within 12 months after reporting date but have been classified as non-current as the Company expects and has the discretion to exercise the rights under the facility agreement to refinance these loans. Such immediate replacement funding is available till July 2021. In the prior year, committed revolving loans of US$300,000,000 were classified as current liability with repayment due in July 2016.

The uncommitted revolving loans of US$248,487,000 outstanding as at 31 December 2016 (2015: US$259,730,000) has been classified as current liability as this funding is subject to the banks' continued approval for refinancing under the respective agreements. These agreements expire on July 2021 with the exception of one facility agreement which has no expiry date.

The unsecured revolving loans bear interest at a weighted average rate of 2.17% (2015: 1.77%) per annum for the year ended 31 December 2016.

Term loans (secured)

The term loans bear interest at a weighted average rate of 2.42% (2015: Nil %) per annum for the year ended 31 December 2016. The term loans are secured on certain vessels of the Group (Note 5), assignment of insurances, corporate guarantee from the Company and assignment of charter and earnings upon the occurrence of an event of default. The term loans are repayable in 25 equal quarterly instalments over a period of seven years, commencing six months from the date of draw down, with a final bullet instalment.

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for the financial year ended 31 December 2016

18 Payables and accruals

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**11,799**	13,785	**–**	–
Vessel related accruals	**23,907**	23,822	**–**	–
Other accruals	**33,446**	29,585	**19,450**	19,463
Other payables	**4,409**	2,055	**809**	–
	73,561	69,247	**20,259**	19,463

Trade and other payables are non-interest bearing. Trade payables are normally settled on 30 days' term.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
United States Dollar	**61,884**	61,213	**14,711**	17,671
Singapore Dollar	**8,796**	4,706	**5,548**	1,792
Others	**2,881**	3,328	**–**	–
	73,561	69,247	**20,259**	19,463

19 Advances received from customers

Advances received from customers relate to deposits received from various charterers in connection with the charter hire and sale of vessels.

20 Due to subsidiaries, joint ventures and related companies

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Due to subsidiaries	**–**	–	**44,901**	42,185
Due to joint ventures	**29,301**	29,079	**4,126**	4,257
	29,301	29,079	**49,027**	46,442
Due to related companies	**2,505**	7,051	**2,402**	6,868
	31,806	36,130	**51,429**	53,310

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

The amounts due to joint ventures and related companies are trade in nature, unsecured, interest-free, payable on demand, and are to be settled in cash. These amounts are denominated in United States Dollars.

21 Due to holding company

The amounts are non-trade, unsecured, interest-free, payable on demand, and are to be settled in cash. These amounts are denominated in United States Dollars.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

22 Other expenses, net

	Note	Group 2016 US$'000	Group 2015 US$'000
Interest income			
– Joint ventures		**1,741**	2,670
– Others		**518**	547
Gain on disposal of fixed assets		**352**	4,066
Foreign exchange gain		**226**	1,059
Sundry income		**4,498**	4,530
Impairment of fixed assets	5	**(198,950)**	(21,437)
Impairment of goodwill	4	**(111,178)**	(127,000)
		(302,793)	(135,565)

23 Finance costs

	Group 2016 US$'000	Group 2015 US$'000
Interest on borrowings	**14,412**	10,357

24 Loss before taxation

Loss before taxation has been arrived at after charging:

	Note	Group 2016 US$'000	Group 2015 US$'000
Amortisation of intangible assets	6	**(33)**	(75)
Depreciation of fixed assets	5	**(69,626)**	(60,655)
Consumables recognised as an expense in cost of sales		**(9,322)**	(6,625)
Bad debts written off		**(1,882)**	–
Allowance for doubtful debts – trade	11	**(13,768)**	(2,004)
Fixed assets written off		**(505)**	(210)
Staff costs			
– Salaries and related costs		**(40,305)**	(63,399)
– CPF contributions or equivalents		**(1,177)**	(1,488)

The amounts of staff costs shown above does not include staff costs recognised in vessels under construction of approximately US$380,000 (2015: US$868,000).

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for the financial year ended 31 December 2016

25 Taxation

	Group	
	2016	2015
	US$'000	US$'000
Current taxation		
– Singapore tax	**469**	608
– Foreign tax	**202**	–
– Underprovision in respect of prior years	**100**	678
	771	1,286
Deferred taxation		
– Current year	**284**	(5)
– Overprovision in respect of prior years	**(8)**	(23)
	276	(28)
Withholding tax	**224**	570
	1,271	1,828

The tax expense on the results of the financial years varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Group's loss as a result of the following:

	Group	
	2016	2015
	US$'000	US$'000
Loss before taxation	**(370,313)**	(129,131)
Tax at statutory rate of 17% (2015: 17%)	**(62,953)**	(21,952)
Tax effect on non-deductible expenses	**56,909**	30,326
Net tax exempt income under Section 13A or 13F of the Singapore Income Tax Act	**2,282**	(9,276)
Income not subjected to tax	**(252)**	(638)
Under provision in respect of prior years	**92**	655
Withholding tax	**224**	570
Effect of different tax rate in other countries	**2,085**	3,294
Effect of partial tax exemption and tax relief	**(332)**	(287)
Benefits from previously unrecognised deferred tax assets	**(1,572)**	(2,784)
Deferred tax assets not recognised	**2,440**	301
Share of results of joint ventures	**2,348**	1,619
	1,271	1,828

The Group did not recognise deferred tax assets arising from tax losses amounting to US$4,479,000 (2015: US$912,000), in accordance with the accounting policy stated in Note 2.24(b). The use and availability of these tax losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

Income derived from the charter hire of vessels stationed in waters outside of Singapore during the financial year is exempt from income tax under Section 13A and Section 13F of the Singapore Income Tax Act, Cap. 134. At the end of the respective reporting periods, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint ventures as:

- The Group is in a position to control the timing of the reversal of the temporary differences of its subsidiaries and it is probable that such differences will not reverse in the foreseeable future; and

- The joint ventures of the Group require the consent of both partners to distribute its earnings. At the end of the reporting period, the Group does not foresee giving such consent.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

26 Investment in subsidiaries

	Company	
	2016	2015
	US$'000	US$'000
Unquoted equity investments, at cost	**482,856**	482,856
Incorporation of a subsidiary	**200**	–
Impairment	**(151,440)**	(126,194)
	331,616	356,662

During the current financial year, management performed impairment testing for the Company's investment in subsidiaries. Based on assessments of the subsidiaries' historical and current performance and estimated value, the Company has made an allowance for impairment against the respective investments amounting to US$25,246,000 (2015: US$1,732,000).

The subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest		Principal Activities
		2016	2015	
		%	%	
Held by the Company				
POSH Semco Pte Ltd[1]	Singapore	**100**	100	Operator of vessels for offshore marine support services
POSH Maritime Pte Ltd[1]	Singapore	**100**	100	Dormant
Singapore Oil Spill Response Centre Pte Ltd[1]	Singapore	**100**	100	Provision of services to control pollution from oil & chemical spillage & to protect the marine environment
Semco Salvage and Towage Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (I) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (II) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (III) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (IV) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (V) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Ibis Shipping Pte Ltd[1]	Singapore	**100**	100	Dormant
Maritime Alpha Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Maritime Bravo Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Maritime Charlie Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels

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for the financial year ended 31 December 2016

26 Investment in subsidiaries (cont'd)

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest 2016 %	2015 %	Principal Activities
Held by the Company (cont'd)				
Maritime Delta Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Raven Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Swallow Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Condor Shipping Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Jacana Shipping Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Starling Shipping Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Labrador Shipping Corporation[3]	Malaysia	**100**	100	Owner and operator of vessels
Larkspur Pte Ltd[1]	Singapore	**100**	100	Dormant
Newfoundland Shipping Corporation[3]	Malaysia	**100**	100	Dormant
POSH Fleet Services Pte Ltd[1]	Singapore	**100**	100	Provision of ship management services
POSH Semco (B) Sdn Bhd[2]	Brunei	**100**	100	Dormant
POSH Australia Pty Ltd[7]	Australia	**100**	100	Dormant
Crescent Marine Pte. Ltd.[1]	Singapore	**100**	100	Chartering of ships, barges and boats with crew (freight)
POSH (USA) Inc.[7]	United States	**100**	100	Dormant
PACC Offshore (UK) Limited[4]	United Kingdom	**100**	100	Dormant
Maritime Vanguard Pte Ltd[1]	Singapore	**100**	100	Operator of vessels for offshore marine support services
Adara Limited[7]	British Virgin Islands	**100**	100	Owner and operator of vessels
Mayan Investments Pte Ltd[1]	Singapore	**100**	100	Investment holding
Eide Marine Offshore B.V.[6]	The Netherlands	**100**	100	Renting and leasing of ships, support activities for water transport
Valley Ocean Limited[7]	British Virgin Islands	**100**	100	Owner and operator of vessels

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26 Investment in subsidiaries (cont'd)

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest 2016 %	2015 %	Principal Activities
Held by the Company (cont'd)				
Pacific Cosmo Ventures Limited[7]	British Virgin Islands	**100**	100	Owner and operator of vessels
POSH Saudi Co. Ltd[5]	Kingdom of Saudi Arabia	**75**	–	Operator of vessels for offshore marine support services (incorporated on 6 January 2016)
Held through a subsidiary				
POSH Investment Holdings Pte Ltd (formerly known as Avocet Shipping Pte Ltd)[1]	Singapore	**100**	100	Dormant
Operadora de Servicios Costa Afuera S.A. de C.V.[7]	Mexico	**99**	99	Service company
POSH Fleet Services Mexico S.A. de C.V.[7]	Mexico	**99**	99	Dormant
POSH Gannet S.A. de C.V.[7]	Mexico	**100**	100	Owner and operator of vessels
POSH Skua S.A. de C.V.[7]	Mexico	**100**	100	Owner and operator of vessels

[1] Audited by Ernst & Young LLP, Singapore
[2] Audited by Ernst & Young, Brunei
[3] Audited by Mazars, Malaysia
[4] Audited by Littlestone Golding Chartered Accountants, United Kingdom
[5] Audited by Boodai and Al Omar CPA, Saudi Arabia
[6] Audited by BDO Audit & Assurance B.V., The Netherlands
[7] Not required to be audited in accordance with the laws of the country of incorporation

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

27 Related party transactions

Other than the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties at mutually agreed terms and amounts:

	Group	
	2016	2015
	US$'000	US$'000
Immediate holding company		
– Corporate support expenses	**2,157**	2,380
Fellow subsidiaries and associates of the holding company		
– Office rental expenses	**1,594**	748
– Ship management fee income	**103**	184
– Charter hire expenses	**1,205**	2,798
– Ship repair, maintenance and modication costs	**3,127**	2,136
– Shipbuilding costs	**148,135**	72,294
– Wharfage and rent of berthing space	**817**	–
– Charter hire income	**340**	780
Joint ventures of the Group		
– Charter hire expenses	**18,721**	32,697
– Charter hire income	**16,191**	20,197
– Ship management fees	**1,033**	1,115
– Ship management fee income	**2,882**	2,701
– Management support fee income	**1,851**	1,995
– Purchase of vessels	**–**	147,283
– Procurement agency fees	**336**	522
Compensation of Directors and key management personnel		
– Salaries and related costs	**1,945**	2,346
– CPF contribution or equivalents	**47**	42
– Directors fees	**482**	522
	2,474	2,910
Comprise amounts paid to:		
– Directors of the Company	**1,074**	1,390
– Other key management personnel	**1,400**	1,520
	2,474	2,910

Commitments with related parties

As at end of the financial year ended 31 December 2016, the Group has outstanding commitments with related parties as follows:

(a) shipbuilding contracts for the construction of new vessels and conversion of existing vessels with fellow subsidiaries and associates of the holding company;

(b) office rental lease agreement with associates of the holding company; and

(c) operating lease agreements with joint ventures and associates of the holding company to charter in vessels

The amounts of outstanding commitments are disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

28 Segment information

For management purposes, the Group is organised into business units based on their services and has four reportable segments as follows:

Offshore Supply Vessels

The Offshore Supply Vessels segment supports mid to deepwater operations of rig and oilfield operators. This segment also operates Platform Supply Vessels that transport drilling materials and supplies to drilling rigs, offshore production platforms as well as pipes and other materials for construction of marine structures or pipelines.

Transportation and Installation

The Transportation and Installation segment supports marine contractors in construction and maintenance of oilfield infrastructure and pipelines. This segment includes a joint venture company which operates Anchor Handling Tugs specialising in cross-ocean towing, transporting large marine structures from the builder's yard and installing them in the oilfields. It also includes float-over of launching operations of large marine structure and ballastable tank barges and tugs for transportation of construction materials and subsea pipes.

Offshore Accommodation

The Offshore Accommodation segment owns and operates vessels that are capable of meeting a range of accommodation, transportation and hospitality needs in offshore oilfields for workers carrying out offshore construction and/or maintenance operations.

Harbour Services & Emergency Response

The Harbour Services segment supports the harbour or coastal tugging operations, and heavy lifting operations of shipyards, ports and oil and gas terminals. Through a joint venture company, it also operates a modern fleet of Azimuth Stern Drive harbour tugs. In addition, the Group operates a fleet of heavy lift crane barges.

The Emergency Response segment offers a comprehensive range of services, equipment and personnel capable of handling firefighting, rescue and salvage and oil spill events in the Asia Pacific and Indian Ocean regions.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

28 Segment information (cont'd)

Group	2016 Offshore supply vessels US$'000	2016 Offshore accommodation US$'000	2016 Transportation and installation US$'000	2016 Harbour services and emergency response US$'000	2016 Total US$'000	2015 Offshore supply vessels US$'000	2015 Offshore accommodation US$'000	2015 Transportation and installation US$'000	2015 Harbour services and emergency response US$'000	2015 Total US$'000
Revenue	**74,230**	**72,027**	**15,992**	**20,851**	**183,100**	136,228	93,169	27,315	24,108	280,820
Segment results	**(25,018)**	**(921)**	**(7,905)**	**2,293**	**(31,551)**	6,549	28,008	2,352	2,168	39,077
Share of results of joint ventures	**(8,775)**	**–**	**(2,588)**	**(2,451)**	**(13,814)**	(18,992)	–	7,319	2,147	(9,526)
Impairment of fixed assets	**(163,061)**	**(18,577)**	**(17,312)**	**–**	**(198,950)**	(15,315)	(2,282)	(3,840)	–	(21,437)
Impairment of goodwill	**(111,178)**	**–**	**–**	**–**	**(111,178)**	(81,348)	–	(38,946)	(6,706)	(127,000)
Interest income					**2,259**					3,217
Interest expense					**(14,412)**					(10,357)
Taxation					**(1,271)**					(1,828)
Unallocated other income, net					**695**					633
Unallocated general and administrative expenses					**(3,362)**					(3,738)
Loss for the year					**(371,584)**					(130,959)
Assets:										
Segment assets	**553,492**	**650,524**	**198,623**	**74,583**	**1,477,222**	827,733	580,673	231,253	74,049	1,713,708
Unallocated assets					**28,368**					19,902
Total assets					**1,505,590**					1,733,610
Liabilities:										
Segment liabilities	**64,284**	**12,381**	**8,491**	**8,932**	**94,088**	48,870	13,661	35,856	9,624	108,011
Unallocated liabilities					**723,239**					564,556
Total liabilities					**817,327**					672,567
Other information										
Depreciation	**38,699**	**21,395**	**7,423**	**1,576**	**69,093**	36,955	15,287	6,674	1,345	60,261
Additions to non-current assets	**89,064**	**59,465**	**23,398**	**4,685**	**176,612**	179,338	60,015	9,145	9,100	257,598

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for the financial year ended 31 December 2016

28 Segment information (cont'd)

Geographical information

Revenues

The Group provides a diverse range of offshore support vessels to service the offshore oil and gas exploration and production activities. The Group's operations are international and in particular where the major offshore oil and gas activities are located. The Group has no specific geographical objective and will deploy its vessels based on the demand and supply of the various international offshore oil and gas activities. The decision in allocating resources and assessing performance is driven by the optimal economic returns a vessel is able to achieve, taking into account demand, vessel specifications, rates, timing and availability of vessels for the different geographical region. The vessels may be deployed to other geographical regions at the end of the contract for the aforesaid criteria. Hence, it is not meaningful to present revenues by countries or geographical locations.

Non-current assets

Non-current assets are based on geographical location of the entities:

	Group	
	2016	2015
	US$'000	US$'000
Singapore	**812,172**	952,918
Southeast Asia	**–**	41,055
Americas	**522,306**	563,400
Middle East	**191**	–
	1,334,669	1,557,373

Information about a major customer

Revenue from one major customer amounting to US$49,352,061 (2015: US$60,648,000) was recorded in the Offshore Accommodation segment.

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for the financial year ended 31 December 2016

29 Commitments

(a) Capital commitments

	Group and Company	
	2016	2015
	US$'000	US$'000
Capital expenditure in respect of fixed assets contracted with related parties but not provided for in the financial statements	**85,594**	138,590

(b) Rental commitments

The Group has entered into commercial leases primarily in relation to its office premises. For the financial years ended 31 December 2016 and 2015, these leases have an average tenure of between 1 to 5 years with renewal option but no contingent rent provision included in the contracts. The Group is restricted from subleasing its leased office premises and office equipment to third parties.

Minimum lease payments recognised as an expense in consolidated statement of comprehensive income for the financial years ended 31 December 2016 and 2015 amounted to US$1,574,000 and US$1,058,000 respectively.

Future minimum rental payable under non-cancellable operating leases at the end of the reporting periods are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Due not later than one year	**889**	1,246	**415**	1,150
Due later than one year and not later than five years	**320**	414	**–**	414
	1,209	1,660	**415**	1,564

Included in the above office rental lease commitments are commitments with a fellow subsidiary of the holding company. These outstanding operating lease commitments falling due within one year and in the second to fifth year are US$415,000 (2015: US$1,150,000) and US$ Nil (2015: US$414,000) respectively.

(c) Operating lease commitments – as lessee

The Group has entered into bareboat leases of vessels from related parties. Future minimum bareboat leases payable under non-cancellable operating leases at the end of the respective reporting periods are as follows:

	Group	
	2016	2015
	US$'000	US$'000
Not later than one year	**22,667**	20,661
Later than one year and not later than five years	**54,566**	59,756
Later than five years	**17,691**	24,563
	94,924	104,980

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for the financial year ended 31 December 2016

29 Commitments (cont'd)

(d) Operating lease commitments – as lessor

The Group has entered into time-charter and bareboat leases on its vessels. Certain leases include a clause to enable upward revision of the leasing charge on an annual basis based on prevailing market conditions.

Future minimum time-charter and bareboat receivable under non-cancellable operating leases at the end of the respective reporting periods are as follows:

	Group	
	2016	2015
	US$'000	US$'000
Not later than one year	**96,705**	98,094
Later than one year and not later than five years	**215,125**	78,292
Later than five years	**25,279**	–
	337,109	176,386

(e) Financial support

The Company has committed to provide continuing financial support to certain of its subsidiaries.

30 Financial risk management policies and objectives

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include currency risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is the Group policy that no trading in derivatives for speculative purposes will be undertaken.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group operates internationally and its assets and revenues are essentially United States Dollar based. Foreign currency denominated assets and liabilities give rise to foreign exchange exposures. The Group is exposed to foreign currency risk mainly arising from its operations.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the Singapore Dollar ("SGD") exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

	2016	2015
	US$'000	US$'000
	(Decrease)/Increase	
SGD – strengthened 5%	**(31)**	(231)
– weakened 5%	**31**	231

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

30 Financial risk management policies and objectives (cont'd)

(b) Interest rate risk

Interest risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's primary interest rate risk relates to its interest-bearing debts. The Group manages its interest rate exposure by using floating-to-fixed interest rate swaps over the duration of its borrowings. Interest rate swaps entail the Group agreeing to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. This strategy allows the Group to fix the interest rates at current low interest rate environment and achieves a certain level of protection against future rate hikes. As at 31 December 2016, the Group has interest rate swap agreements with notional amount totalling US$199,535,000 (2015: US$ Nil) whereby it receives variable rates equal to LIBOR and pays fixed rates of between 1.280% to 1.525% (2015: Nil %) per annum on the notional amount.

Sensitivity analysis for interest rate risk

At the end of the respective reporting periods, if USD interest rates had been 25 basis points lower/higher with all other variables held constant, the Group's results net of tax would have been US$1,470,000 (2015: US$1,161,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. Other comprehensive income would have been higher/lower by US$1,712,000 mainly as a result of higher fair value of interest rate swaps designated as cash flow hedges on variable rate borrowings.

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit monitoring procedures. Credit risk is minimised and monitored via strictly limiting business dealings by the Group with business partners of high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

Advances are made to subsidiaries in support of their respective principal activities. Surplus cash is placed in a number of reputable banks.

Approximately 71% (2015: 60%) of the Group's trade receivables were due from 5 major debtors as at 31 December 2016. 23% (2015: 18%) of the Group's trade receivables were due from related parties while almost all of the Company's receivables were balances with related parties in 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

30 Financial risk management policies and objectives (cont'd)

(c) Credit risk (cont'd)

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

Credit risk concentration profile

	2016		2015	
	US$'000	**% of total**	US$'000	% of total
By region:				
Asia Pacific	**11,257**	**20.4**	33,452	47.4
Americas	**59**	**0.1**	59	0.1
Africa, Middle East and Europe	**43,929**	**79.5**	36,982	52.5
	55,245	**100.0**	70,493	100.0

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position; and

- Corporate guarantees provided by the Company as disclosed in Note 36.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of committed and uncommitted banking credit facilities.

The Group's and the Company's exposure to liquidity risk is managed by ensuring that the Group and the Company have sufficient banking facilities both committed and uncommitted to meet its liquidity requirements centrally.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

30 Financial risk management policies and objectives (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
At 31 December 2016				
Financial assets				
Derivatives	**–**	**–**	**5,600**	**5,600**
Receivables and other assets	**76,871**	**–**	**–**	**76,871**
Due from subsidiaries and joint ventures	**73,263**	**4,868**	**20,160**	**98,291**
Due from related companies	**523**	**–**	**–**	**523**
Receivables from a joint venture	**–**	**25,347**	**–**	**25,347**
Cash and cash equivalents	**15,058**	**–**	**–**	**15,058**
Total undiscounted financial assets	**165,715**	**30,215**	**25,760**	**221,690**
Financial liabilities				
Payables and accruals	**73,561**	**–**	**–**	**73,561**
Due to subsidiaries and joint ventures	**29,301**	**–**	**–**	**29,301**
Due to related companies	**2,505**	**–**	**–**	**2,505**
Due to holding company	**195**	**–**	**–**	**195**
Bank borrowings	**284,947**	**340,840**	**161,638**	**787,425**
Total undiscounted financial liabilities	**390,509**	**340,840**	**161,638**	**892,987**
Total net undiscounted financial liabilities	**(224,794)**	**(310,625)**	**(135,878)**	**(671,297)**
At 31 December 2015				
Financial assets				
Receivables and other assets	92,235	7,515	–	99,750
Due from subsidiaries and joint ventures	66,577	19,914	7,785	94,276
Due from related companies	187	–	–	187
Receivables from a joint venture	–	25,347	–	25,347
Cash and cash equivalents	13,779	–	–	13,779
Total undiscounted financial assets	172,778	52,776	7,785	233,339
Financial liabilities				
Payables and accruals	69,247	–	–	69,247
Due to subsidiaries and joint ventures	29,079	–	–	29,079
Due to related companies	7,051	–	–	7,051
Due to holding company	584	–	–	584
Bank borrowings	569,637	–	–	569,637
Total undiscounted financial liabilities	675,598	–	–	675,598
Total net undiscounted financial (liabilities)/assets	(502,820)	52,776	7,785	(442,259)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

30 Financial risk management policies and objectives (cont'd)

(d) Liquidity risk (cont'd)

Company	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
At 31 December 2016				
Financial assets				
Receivables and other current assets	**3,377**	**–**	**–**	**3,377**
Due from subsidiaries and joint ventures	**862,358**	**4,868**	**20,160**	**887,386**
Receivables from a joint venture	**–**	**25,347**	**–**	**25,347**
Cash and cash equivalents	**3,850**	**–**	**–**	**3,850**
Total undiscounted financial assets	**869,585**	**30,215**	**20,160**	**919,960**
Financial liabilities				
Payables and accruals	**20,259**	**–**	**–**	**20,259**
Due to subsidiaries and joint ventures	**49,027**	**–**	**–**	**49,027**
Due to related companies	**2,402**	**–**	**–**	**2,402**
Due to holding company	**195**	**–**	**–**	**195**
Bank borrowings	**258,214**	**238,907**	**–**	**497,121**
Total undiscounted financial liabilities	**330,097**	**238,907**	**–**	**569,004**
Total net undiscounted financial assets/(liabilities)	**539,488**	**(208,692)**	**20,160**	**350,956**
At 31 December 2015				
Financial assets				
Receivables and other current assets	4,331	–	–	4,331
Due from subsidiaries and joint ventures	1,198,298	19,914	7,785	1,225,997
Receivables from a joint venture	–	25,347	–	25,347
Cash and cash equivalents	2,003	–	–	2,003
Total undiscounted financial assets	1,204,632	45,261	7,785	1,257,678
Financial liabilities				
Payables and accruals	19,463	–	–	19,463
Due to subsidiaries and joint ventures	46,442	–	–	46,442
Due to related companies	6,868	–	–	6,868
Due to holding company	584	–	–	584
Bank borrowings	569,637	–	–	569,637
Total undiscounted financial liabilities	642,994	–	–	642,994
Total net undiscounted financial assets	561,638	45,261	7,785	614,684

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

31 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The Group manages its capital structure by taking into account its current and projected cash flow, expansion and capital expenditure commitments, and ensuring a prudent debt equity ratio. The Group monitors capital using a net gearing ratio, which is borrowings less cash and cash equivalents divided by total equity.

The debt to equity ratio of the Group is 1.03 : 1 (2015: 0.51 : 1) for the financial year ended 31 December 2016. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 2015.

The Group has complied with externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

32 Classification of financial assets and liabilities

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Fair value through profit or loss				
Derivatives	**5,600**	–	**–**	–
Loans and receivables				
Receivables and other assets	**76,871**	99,750	**3,377**	4,331
Due from subsidiaries and joint ventures	**93,324**	88,785	**882,419**	1,220,506
Due from related companies	**523**	187	**–**	–
Receivables from a joint venture	**25,347**	25,347	**25,347**	25,347
Cash and cash equivalents	**15,058**	13,779	**3,850**	2,003
Total loans and receivables	**211,123**	227,848	**914,993**	1,252,187
Financial liabilities carried at amortised cost				
Payables and accruals	**73,561**	69,247	**20,259**	19,463
Due to subsidiaries and joint ventures	**29,301**	29,079	**49,027**	46,442
Due to related companies	**2,505**	7,051	**2,402**	6,868
Due to holding company	**195**	584	**195**	584
Bank borrowings	**708,332**	559,730	**448,487**	559,730
Total financial liabilities carried at amortised cost	**813,894**	665,691	**520,370**	633,087

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

33 Fair values of financial instruments

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Level 2 fair value measurements

The derivative financial instruments held by the Group for the financial year ended 31 December 2016 (2015: Nil) are classified under Level 2. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Level 3 fair value measurements

Fixed assets classified as held for sale with a carrying amount of US$2,547,000 (2015: US$1,791,000) were written down to the fair value less cost to sell, resulting in an impairment loss of US$8,029,000 (2015: US$ Nil) which was included as part of "other expenses, net" in the consolidated statement of comprehensive income for the financial year ended 31 December 2016. The fair value was determined based on memorandum of agreements.

Valuation policies and procedures

The Group's Chief Financial Officer ("CFO") who is assisted by the financial controller and finance manager (collectively referred to as the "Finance Team"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Finance Team reports to the Group's audit committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of inputs (including those developed internally by the Group) used in the valuations.

Fair values of financial instruments by classes that are not carried at fair values and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of trade and other receivables, amounts owing from/to subsidiaries, joint ventures and related companies, loans to joint ventures, cash and cash equivalents, trade and other payables, amount owing to holding company and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

34 Dividends

	Group and Company	
	2016	2015
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend of S$0.005 per share (2015: S$0.015 per share)	**6,704**	20,093

35 Loss per share

The basic and diluted loss per ordinary share ("EPS") are calculated by dividing the Group's net loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The weighted average number of ordinary shares for the financial years ended 31 December 2016 and 2015, takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2016	2015
	US$'000	US$'000
Net loss for the year, representing total comprehensive loss attributable to shareholders	**(371,448)**	(130,959)

	No. of shares ('000)	No. of shares ('000)
Weighted average number of ordinary shares for basic and diluted loss per share computation	**1,812,001**	1,818,095

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

36 Contingent liabilities

(a) The Company provided the following guarantees at the end of the reporting periods:

	Company	
	2016	2015
	US$'000	US$'000
Refund and performance guarantees		
– Subsidiaries	**5,059**	–
– Joint ventures[1]	**8,334**	5,930
Corporate guarantees		
– Subsidiaries[2]	**262,000**	–
– Joint venture[3]	**14,525**	14,525

[1] *A joint venture partner has provided indemnity to the Company for its proportionate share in the refund and performance guarantees of US$5,930,000 (2015: US$5,930,000).*

[2] *Corporate guarantees for its subsidiaries' term loans drawn down under various loan faciilities with maturities between January to April 2023.*

[3] *Corporate guarantees for its proportionate share for a joint venture's banking facilities which the Company is severally liable for in the event of a default by the joint venture.*

(b) On 2 September 2015, a writ of summons and statement of claim (the "Claim") was served on the Company. The Company had in January 2015 entered into a sale and purchase agreement ("SPA") to acquire a property from its owner (the "Claimant"). The acquisition was subject to the Claimant obtaining approval from Jurong Town Corporation ("JTC"). The application by the Claimant for such approval was rejected by JTC and the Company had sought a refund of the deposit paid under the SPA from the Claimant.

In the Claim, the Claimant has claimed for, amongst others, a declaration that it is entitled to forfeit the deposit (including goods and services tax). The Claimant has also claimed for damages of approximately S$3,300,000 (US$2,334,000) which it alleges it suffered as a result of the sale of the property not having been completed. The total sum of the deposit S$3,800,000 (US$2,899,000) and the claim for damages (approximately S$3,300,000 (US$2,334,000)) is approximately S$7,100,000 (US$5,233,000). The Company is defending the claim. As at the date of these financial statements, the Directors are of the view that no material losses will arise in respect of the legal claim.

37 Fees paid to auditors

	Group	
	2016	2015
	US$'000	US$'000
Audit fees paid to auditors	**225**	244
Non-audit fees paid to auditors	**231**	247

INFORMATION ON SHAREHOLDINGS

As at 15 March 2017

Number of Issued Shares	:	1,813,820,100 shares (excluding treasury shares)
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote per share
Number of shares held in treasury	:	6,179,900 shares
Percentage of treasury shares held	:	0.34%

DISTRIBUTION OF SHAREHOLDINGS

Range of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	%
1 – 99	7	0.11	117	0.00
100 –1,000	442	6.78	431,200	0.02
1,001 – 10,000	3,640	55.86	18,514,652	1.02
10,001 – 1,000,000	2,388	36.65	127,518,200	7.03
1,000,001 and above	39	0.60	1,667,355,931	91.93
Total	**6,516**	**100.00**	**1,813,820,100**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	%
1	Kuok (Singapore) Limited	1,084,184,065	59.77
2	Lightwell Shipping Inc.	386,385,645	21.30
3	DBS Nominees (Private) Limited	26,435,400	1.46
4	Raffles Nominees (Pte) Limited	21,540,450	1.19
5	Citibank Nominees Singapore Pte Ltd	16,092,693	0.89
6	Camsward Pte Ltd	13,240,000	0.73
7	HL Bank Nominees (Singapore) Pte Ltd	10,989,100	0.61
8	DB Nominees (Singapore) Pte Ltd	10,512,700	0.58
9	Seow Kang Hoe, Gerald	8,078,043	0.45
10	DBS Vickers Securities (Singapore) Pte Ltd	8,028,950	0.44
11	RHB Securities Singapore Pte. Ltd.	7,646,400	0.42
12	OCBC Securities Private Limited	6,838,000	0.38
13	Teo Joo Kim	6,064,043	0.33
14	UOB Kay Hian Private Limited	5,892,600	0.32
15	Wu Long Peng	5,626,542	0.31
16	Kuok Khoon Kuan	4,591,542	0.25
17	Maybank Kim Eng Securities Pte. Ltd.	4,386,500	0.24
18	CIMB Securities (Singapore) Pte. Ltd.	4,310,038	0.24
19	United Overseas Bank Nominees (Private) Limited	2,579,800	0.14
20	OCBC Nominees Singapore Private Limited	2,423,400	0.13
	Total	**1,635,845,911**	**90.18**

INFORMATION ON SHAREHOLDINGS

As at 15 March 2017

SUBSTANTIAL SHAREHOLDERS

As at 15 March 2017, the substantial shareholders of the Company and their direct and deemed interests, as shown in the Company's Register of Substantial Shareholders, were as follows:

Name of substantial shareholder	Direct Interest	Deemed Interest	Total Interest	%
Kuok (Singapore) Limited	1,084,184,065	399,625,645	1,483,809,710	81.81
Pacific Carriers Limited	–	386,385,645	386,385,645	21.30
Malaysian Bulk Carriers Berhad	–	386,385,645	386,385,645	21.30
Lightwell Shipping Inc	386,385,645	–	386,385,645	21.30

Note:

*(1) Kuok (Singapore) Limited ("**KSL**") holds the entire issued share capital of Pacific Carriers Limited ("**PCL**") and Camsward Pte Ltd ("**Camsward**"). Accordingly, KSL is deemed to have an interest in:*

(i) the 13,240,000 Shares held by Camsward directly; and

(ii) the 386,385,645 Shares that PCL is deemed interested in.

*(2) PCL holds more than 20% of the entire issued share capital of Malaysian Bulk Carriers Berhad ("**MBC**"). Accordingly, PCL is deemed to have an interest in the 386,385,645 Shares held by MBC's subsidiary, Lightwell Shipping Inc.*

(3) MBC owns the entire issued share capital of Lightwell Shipping Inc. Accordingly, MBC is deemed to have an interest in the 386,385,645 Shares held by Lightwell Shipping Inc.

SHAREHOLDINGS HELD BY THE PUBLIC

Based on information available to the Company as at 15 March 2017, approximately 16.70% of the issued ordinary shares of the Company are held by the public (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")). Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 11th Annual General Meeting of the Company will be held at Shangri-La Hotel, Tower Ballroom, 22 Orange Grove Road, Singapore 258350 on Thursday, 27 April 2017 at 10.00 a.m. to transact the following business:

AGENDA

As Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2016 and the Auditor's Report thereon. **Ordinary Resolution 1**

2. To re-elect the following Directors, each of whom will be retiring by rotation pursuant to Articles 94 and 95 of the Company's Constitution and who, being eligible, offers himself for re-election:

   (i) Mr. Ma Kah Woh **Ordinary Resolution 2**

   (ii) Mr. Wee Joo Yeow **Ordinary Resolution 3**

   (iii) Mr. Wu Long Peng **Ordinary Resolution 4**

3. To approve the sum of S$609,000 as Directors' Fees for the year ended 31 December 2016. **Ordinary Resolution 5**

4. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

As Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

5. **Authority to issue shares** **Ordinary Resolution 7**

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such person(s) as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including new shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50 per cent. of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including new shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) may not exceed 20 per cent. of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

6. **Authority to Directors to grant options and/or awards and issue shares under the POSH Share Option Plan and/or POSH Performance Share Plan** **Ordinary Resolution 8**

That the Directors of the Company be and are hereby authorised to:

(a) grant options and awards in accordance with the provisions of the POSH Share Option Plan and/or the POSH Performance Share Plan (collectively, the "**Share Plans**"); and

(b) allot and issue from time to time such number of new shares as may be required to be issued pursuant to the exercise of options and the vesting of awards granted under the Share Plans,

provided that the total number of shares over which options and awards (as the case may be) may be granted on any date, when added to the total number of shares issued and/or issuable and transferred and/or to be transferred in respect of all options already granted and the total number of shares issued and/or issuable and transferred and/or to be transferred in respect of all awards already granted, shall not exceed 15 per cent. of the total number of issued shares (excluding treasury shares) on the date preceding the date of the relevant option or award (as the case may be).

NOTICE OF ANNUAL GENERAL MEETING

7. **Proposed Renewal of the Share Purchase Mandate** **Ordinary Resolution 9**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"); and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the rules of the Listing Manual of the SGX-ST for any corporate action that occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out below) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

NOTICE OF ANNUAL GENERAL MEETING

"**Maximum Limit**" means that number of issued Shares representing 10 per cent. of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed, in the case of a Market Purchase of a Share, 105 per cent. of the Average Closing Price of the Shares, and in the case of an Off-Market Purchase of a Share pursuant to an equal access scheme, 110 per cent. of the Average Closing Price of the Shares; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

8. **Proposed Renewal of the General Mandate for Interested Person Transactions** **Ordinary Resolution 10**

That:

(a) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Chapter 9**"), for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" (as that term is used in Chapter 9), or any of them to enter into any of the transactions falling within the types of Mandated Transactions described in the letter to shareholders of the Company dated 10 April 2017 (the "**Letter**") with any party who is of the class of interested persons described in the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in sub-paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company and/or any of them be and are and/or is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

9. To transact any other business that may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

MS. DAWN TAY
MS. LIM KA BEE
COMPANY SECRETARIES

Date: 10 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes

1. (a) In relation to Ordinary Resolution No. 2, Mr. Ma Kah Woh will be retiring from office at the Annual General Meeting pursuant to Articles 94 and 95 of the Company's Constitution, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on "Board of Directors" and "Corporate Governance Report" in the Annual Report for FY2016 for more information relating to Mr. Ma. Mr. Ma is the Chairman of the Audit Committee and a member of the Board Risk Committee and the Nominating Committee and will, upon re-election, continue to serve as the Chairman of the Audit Committee and a member of the Board Risk Committee and the Nominating Committee. Mr. Ma will be considered independent for the purposes of Rule 704(8) of the listing manual of the Singapore Exchange Securities Trading Limited.

   (b) In relation to Ordinary Resolution No. 3, Mr. Wee Joo Yeow will be retiring from office at the Annual General Meeting pursuant to Articles 94 and 95 of the Company's Constitution, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on "Board of Directors" and "Corporate Governance Report" in the Annual Report for FY2016 for more information relating to Mr. Wee. Mr. Wee is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Board Risk Committee and will, upon re-election, continue to serve as the Chairman of the Remuneration Committee and a member of the Audit Committee and the Board Risk Committee. Mr. Wee will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   (c) In relation to Ordinary Resolution No. 4, Mr. Wu Long Peng will be retiring from office at the Annual General Meeting pursuant to Articles 94 and 95 of the Company's Constitution, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on "Board of Directors" and "Corporate Governance Report" in the Annual Report for FY2016 for more information relating to Mr. Wu. Mr. Wu is a member of the Nominating Committee and will, upon re-election, continue to serve as a member of the Nominating Committee.

2. Ordinary Resolution No. 7, if passed, will authorise the Directors of the Company from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares and issue shares in pursuance of such instruments up to an amount not exceeding 50 per cent. of the total number of issued shares (excluding treasury shares) of the Company, of which up to 20 per cent. may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares (excluding treasury shares) at the time that Ordinary Resolution No. 7 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution No. 7 is passed, and any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

3. Ordinary Resolution No. 8, if passed, will empower the Directors to grant options and awards under the POSH Share Option Plan and/or the POSH Performance Share Plan (collectively, the "**Share Plans**"), and to allot and issue from time to time such number of new shares as may be required to be issued pursuant to the exercise of options and the vesting of awards granted under the Share Plans, provided that the total number of shares over which options and awards (as the case may be) may be granted on any date, when added to the total number of shares issued and/or issuable and transferred and/or to be transferred in respect of all options already granted and the total number of shares issued and/or issuable and transferred and/or to be transferred in respect of all awards already granted, shall not exceed 15 per cent. of the total number of issued shares (excluding treasury shares) on the date preceding the date of the relevant option or award (as the case may be).

NOTICE OF ANNUAL GENERAL MEETING

4. Ordinary Resolution No. 9 is to renew the mandate to allow the Company to purchase or otherwise acquire its issued shares, on the terms and subject to the conditions set out in Ordinary Resolution No. 9.

   The Company may use internal resources and/or external borrowings to finance purchases or acquisitions of its shares. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of shares purchased or acquired and the price at which such shares were purchased or acquired and whether the shares purchased or acquired are held in treasury or cancelled.

   Based on the number of issued and paid-up shares as at 20 March 2017 (the "**Latest Practicable Date**") and disregarding the shares held in treasury, the purchase or acquisition by the Company of 10 per cent. of its issued shares will result in the purchase or acquisition of 181,382,010 shares.

   Assuming that the Company purchases or acquires 181,382,010 shares at the Maximum Price, in the case of Market Purchases of S$0.368 for one share (being the price equivalent to 105% of the Average Closing Price of the shares), the maximum amount of funds required is approximately S$66.7 million and in the case of Off-Market Purchases of S$0.385 for one share (being the price equivalent to 110% of the Average Closing Price of the shares), the maximum amount of funds required is approximately S$69.8 million.

   The financial effects of the purchase or acquisition of such shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Company, and the Company and its subsidiaries, for the financial year ended 31 December 2016, based on certain assumptions, are set out in paragraph 2.7 of the letter to shareholders of the Company dated 10 April 2017 (the "**Letter**").

   Please refer to the Letter for further details.

5. Ordinary Resolution No. 10, if passed, will renew, effective until the conclusion of the next Annual General Meeting, the mandate to enable the Company, its subsidiaries and associated companies which are considered "entities at risk", or any of them to enter in the ordinary course of business into certain types of interested person transactions with specific classes of the Company's interested persons.

   Please refer to the Letter for further details.

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the holding of the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PACC OFFSHORE SERVICES HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200603185Z)

Important:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy PACC Offshore Services Holdings Ltd. shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017.

PROXY FORM
ANNUAL GENERAL MEETING

*I/We, _____ (Name) _____ (*NRIC/ Passport/Co. Reg No.)

of _____ (Address)

being a *member/members of PACC Offshore Services Holdings Ltd. (the "**Company**") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company (the "**Meeting**") to be held at Shangri-La Hotel, Tower Ballroom, 22 Orange Grove Road, Singapore 258350 on Thursday, 27 April 2017 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Ordinary Resolutions	**For	**Against
1	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2016 and the Auditor's Report thereon		
2	To re-elect Mr. Ma Kah Woh as a Director		
3	To re-elect Mr. Wee Joo Yeow as a Director		
4	To re-elect Mr. Wu Long Peng as a Director		
5	To approve the sum of Directors' Fees for the year ended 31 December 2016		
6	To re-appoint Messrs Ernst & Young LLP as auditor and to authorise the Directors to fix their remuneration		
7	To grant authority to the Directors to issue shares and make or grant instruments convertible into shares pursuant to Section 161 of the Companies Act		
8	To authorise Directors to grant options and/or awards and issue shares under the POSH Share Option Plan and/or POSH Performance Share Plan		
9	To renew the Share Purchase Mandate		
10	To renew the General Mandate for Interested Person Transactions		

* *Delete accordingly*
** *Indicate your vote "For" or "Against" with a (✓) within the relevant box provided.*
Note: Voting will be conducted by poll.

Dated this _____ day of _____ 2017.

Total Number of Shares Held:

Signature(s) or Common Seal of member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes

1. A member of the Company ("**Member**") should insert the total number of ordinary shares in the Company (the "**Shares**") held by him. If the Member has Shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of Shares. If the Member has Shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of Shares. If the Member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by the Member.

2. (a) A Member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act.

3. A proxy need not be a Member.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the holding of the Meeting.

5. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its officer or attorney duly authorised. Where the original instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the original letter or power of attorney under which the instrument of proxy is signed or a duly certified copy of that letter or power of attorney (failing previous registration with the Company) shall be attached to the original instrument of proxy and must be left at the registered office, not less than 72 hours before the time appointed for the holding of the Meeting or the adjourned Meeting at which it is to be used failing which the instrument may be treated as invalid.

6. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act. The Company shall be entitled to treat an original certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment) appointing a proxy or proxies. In addition, in the case of Members whose Shares are entered against their names in the Depository Register, the Company shall reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for the holding of the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kuok Khoon Ean
Chairman and Non-Executive Director

Seow Kang Hoe, Gerald
Chief Executive Officer and Executive Director

Wu Long Peng
Non-Executive Director

Dato Jude Philomen Benny
Lead Independent Director

Ma Kah Woh
Independent Director

Dato Ahmad Sufian @ Qurnain Bin Abdul Rashid
Independent Director

Wee Joo Yeow
Independent Director

BOARD COMMITTEES

AUDIT COMMITTEE

Ma Kah Woh
Chairman

Dato Jude Philomen Benny

Dato Ahmad Sufian @ Qurnain bin Abdul Rashid

Wee Joo Yeow

NOMINATING COMMITTEE

Dato Jude Philomen Benny
Chairman

Ma Kah Woh

Dato Ahmad Sufian @ Qurnain bin Abdul Rashid

Wu Long Peng

REMUNERATION COMMITTEE

Wee Joo Yeow
Chairman

Dato Ahmad Sufian @ Qurnain bin Abdul Rashid

Kuok Khoon Ean

BOARD RISK COMMITTEE

Kuok Khoon Ean
Chairman

Dato Jude Philomen Benny

Ma Kah Woh

Wee Joo Yeow

COMPANY SECRETARIES

Dawn Tay

Lim Ka Bee

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

AUDITORS

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

AUDIT PARTNER

Yee Woon Yim
(since the financial year ended 31 December 2013)

REGISTERED OFFICE

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Company Registration No.: 200603185Z

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