Viking Offshore & Marine Limited
Registration No. 199307300M

Second Quarter Financial Statement And Dividend Announcement for the Financial Period Ended 30 June 2016

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PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

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

	The Group					
	2Q 2016 S$'000	2Q 2015 S$'000	Change %	1H 2016 S$'000	1H 2015 S$'000	Change %
Revenue	9,080	21,582	(58)	23,601	43,014	(45)
Cost of sales	(6,530)	(15,459)	(58)	(15,757)	(30,576)	(48)
Gross Profit	2,550	6,123	(58)	7,844	12,438	(37)
Other income	212	141	50	319	779	(59)
Interest income	1	-	NM	2	1	100
Marketing and distribution expenses	(86)	(182)	(53)	(157)	(364)	(57)
Administrative expenses	(3,630)	(4,344)	(16)	(7,489)	(9,195)	(19)
Other operating expenses	(522)	(906)	(42)	(2,259)	(1,171)	93
Finance costs	(1,019)	(758)	34	(2,015)	(1,541)	31
(Loss)/Profit before tax	(2,494)	74	NM	(3,755)	947	NM
Income tax credit	83	99	(16)	80	145	(45)
(Loss)/Profit for the period	(2,411)	173	NM	(3,675)	1,092	NM
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation	(210)	(138)	52	(1,109)	417	NM
Net change in fair value reserve of available-for-sale financial assets	(100)	80	NM	(534)	(116)	360
Other comprehensive income for the period, net of tax	(310)	(58)	434	(1,643)	301	NM
Total comprehensive income for the period	(2,721)	115	NM	(5,318)	1,393	NM
(Loss)/Profit attributable to:						
Owners of the company						
- (Loss)/Profit after tax	(2,411)	173	NM	(3,675)	1,092	NM
	(2,411)	173	NM	(3,675)	1,092	NM
Total comprehensive income attributable to:						
Owners of the company						
- (Loss)/Profit after tax	(2,721)	115	NM	(5,318)	1,393	NM
	(2,721)	115	NM	(5,318)	1,393	NM

Note

	The Group			The Group		
	2Q 2016 S$'000	2Q 2015 S$'000	Change %	1H 2016 S$'000	1H 2015 S$'000	Change %
(Loss)/Profit before tax is derived at after						
Crediting/(charging) :						
Depreciation of property, plant and equipment	(568)	(354)	60	(1,147)	(701)	64
Amortisation of intangible assets	(174)	(183)	(5)	(348)	(365)	(5)
Gain on disposal of plant and equipment	37	2	1750	49	63	(22)
Gain/(Loss) on foreign exchange	208	(359)	NM	(716)	421	NM
Impairment loss on other receivables	-	-	NM	-	(70)	(100)
(Write down)/Reversal of inventory	(20)	3	NM	(25)	(21)	19
Gain/(Loss) on derivative	38	44	(13)	(16)	59	NM

NM: Not meaningful

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

	The Group S$'000		The Company S$'000	
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
Equity attributable to equity holders of the company				
Share capital	97,844	97,844	97,844	97,844
Treasury shares	(505)	(591)	(505)	(591)
Reserves	(12,311)	(6,887)	(26,075)	(24,032)
Total equity	**85,028**	**90,366**	**71,264**	**73,221**
Non-current assets				
Property, plant and equipment	26,485	27,487	33	46
Investment in subsidiaries	-	-	84,111	84,111
Investment in associated companies	15,405	15,405	-	-
Quoted equity investments	271	805	269	775
Intangible assets	21,886	22,240	-	-
Finance lease receivables	32,242	36,450	-	-
Deferred tax assets	13	42	-	-
	96,302	102,429	84,413	84,932
Current assets				
Inventories	12,116	13,605	-	-
Trade receivables	20,688	21,643	-	-
Due from customers for contracts work-in-progress	13,675	17,104	-	-
Prepayments	114	211	43	55
Other receivables and deposits	2,394	3,436	50	44
Finance lease receivables	5,797	5,409	-	-
Derivative asset	-	33	-	-
Cash and cash equivalents	9,017	7,510	156	286
	63,801	68,951	249	385
Total assets	**160,103**	**171,380**	**84,662**	**85,317**
Current liabilities				
Trade payables	4,725	10,555	-	-
Due to customers for contracts work-in-progress	2,743	2,889	-	-
Other payables and accruals	21,136	23,424	316	538
Tax payable	104	23	-	-
Finance lease obligations	32	31	-	-
Term loans	19,879	16,912	3,788	2,000
Derivative liability	1,065	1,089	1,065	1,065
Redeemable exchangeable bonds	10,792	9,897	-	-
Due to subsidiaries	-	-	8,229	8,493
	60,476	64,820	13,398	12,096
Non-current liabilities				
Term loans	12,006	13,410	-	-
Deferred tax liabilities	2,508	2,683	-	-
Finance lease obligations	85	101	-	-
	14,599	16,194	-	-
Total liabilities	**75,075**	**81,014**	**13,398**	**12,096**
Net assets	**85,028**	**90,366**	**71,264**	**73,221**

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

Amount repayable in one year or less, or on demand

As at 30 June 2016		As at 31 December 2015	
S$'000 Secured	S$'000 Unsecured	S$'000 Secured	S$'000 Unsecured
30,703	-	26,840	-

Amount repayable after one year

As at 30 June 2016		As at 31 December 2015	
S$'000 Secured	S$'000 Unsecured	S$'000 Secured	S$'000 Unsecured
12,091	-	13,511	-

Details of any collateral

The Group's borrowings are secured by the followings:
- a first legal mortgage on a subsidiary's leasehold property
- fixed and floating charge over the subsidiary's assets
- corporate guarantees

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

	The Group		The Group	
	2Q 2016 S$'000	2Q 2015 S$'000	1H 2016 S$'000	1H 2015 S$'000
Cash flows from operating activities:				
(Loss)/Profit before tax	(2,494)	74	(3,755)	947
Adjustments for:				
Amortisation of intangible assets	174	183	348	365
Depreciation of property, plant and equipment	568	354	1,147	701
Write down of inventory	20	(3)	25	21
Employee share-based expense	15	66	59	174
Gain on disposal of plant and equipment	(37)	(2)	(49)	(63)
Impairment loss on other receivables	-	-	-	70
Interest expense	1,019	758	2,015	1,541
Interest income	(1)	-	(2)	(1)
Unrealised gain/(loss) on derivative	(105)	(44)	9	(59)
Unrealised exchange loss/(gain)	110	336	940	(318)
Operating profit before working capital changes	(730)	1,722	737	3,378
Changes in working capital:				
Inventories	931	(203)	1,464	(213)
Trade receivables	2,342	2,835	792	3,093
Due from customers for contracts work-in-progress	737	(4,909)	3,429	(3,922)
Other receivables, deposits and prepayments	539	19	1,140	(1,149)
Finance lease receivables	727	451	3,650	713
Trade payables	(3,407)	(123)	(5,592)	(1,934)
Due to customers for contracts work-in-progress	263	991	(146)	2,374
Other payables and accruals	(47)	17	(4,384)	(2,794)
Cash flows from/(used in) operations	1,355	800	1,090	(454)
Interest paid	(232)	(419)	(516)	(496)
Interest received	1	-	2	1
Income taxes paid	(5)	(406)	(15)	(387)
Net cash flows from/(used in) operating activities	1,119	(25)	561	(1,336)
Cash flows from investing activities				
Purchase of property, plant and equipment	(124)	(697)	(175)	(2,060)
Proceeds from disposal of plant and equipment	38	5	67	115
Investment in associated companies	-	(495)	-	(495)
Cash flows used in investing activities	(86)	(1,187)	(108)	(2,440)
Cash flows from financing activities				
Repayment of loans and borrowings	(2,057)	(854)	(2,842)	(1,472)
Purchase of treasury shares	(26)	-	(79)	(216)
Proceeds from loans and borrowings	300	2,003	4,101	5,948
Payment of dividends	-	(1,194)	-	(1,194)
Payment of finance lease obligations	(7)	(2)	(15)	(4)
Cash flows (used in)/ from financing activities	(1,790)	(47)	1,165	3,062
Net (decrease)/increase in cash and cash equivalents	(757)	(1,259)	1,618	(714)
Effect of exchange rate changes on cash and cash equivalents	(5)	(153)	(111)	68
Cash and cash equivalents at beginning of financial period	9,779	9,492	7,510	8,726
Cash and cash equivalents at end of financial period	9,017	8,080	9,017	8,080

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

	The Group					
	Share capital	Treasury shares	Translation reserve	Other reserves	Accumulated profits	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
1H ended 30 June 2015						
Balance as at 1 January 2015	94,844	(543)	1,106	820	1,649	97,876
Profit for the period	-	-	-	-	1,092	1,092
Other comprehensive income						
Net change in fair value reserve of available-for-sale financial assets	-	-	-	(116)	-	(116)
Foreign currency translation	-	-	417	-	-	417
Other comprehensive income for the period, net of tax	-	-	417	(116)	-	301
Total comprehensive income for the period	-	-	417	(116)	1,092	1,393
Contributions by and distribution to owners						
Purchase of treasury shares	-	(216)	-	-	-	(216)
Dividends on ordinary shares	-	-	-	-	(1,194)	(1,194)
Treasury shares reissued pursuant to equity compensation plans	-	291	-	(291)	-	-
Employee share-based expense	-	-	-	174	-	174
Total transactions with owners in their capacity as owners	-	75	-	(117)	(1,194)	(1,236)
Balance as at 30 June 2015	**94,844**	**(468)**	**1,523**	**587**	**1,547**	**98,033**

	The Group					
	Share capital	Treasury shares	Translation reserve	Other reserves	Accumulated profits	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
1H ended 30 June 2016						
Balance as at 1 January 2016	97,844	(591)	1,727	220	(8,834)	90,366
Loss for the period	-	-	-	-	(3,675)	(3,675)
Other comprehensive income						
Net change in fair value reserve of available-for-sale financial assets	-	-	-	(534)	-	(534)
Foreign currency translation	-	-	(1,109)	-	-	(1,109)
Other comprehensive income for the period, net of tax	-	-	(1,109)	(534)	-	(1,643)
Total comprehensive income for the period	-	-	(1,109)	(534)	(3,675)	(5,318)
Contributions by and distribution to owners						
Purchase of treasury shares	-	(79)	-	-	-	(79)
Treasury shares reissued pursuant to equity compensation plans	-	165	-	(165)	-	-
Employee share-based expense	-	-	-	59	-	59
Total transactions with owners in their capacity as owners	-	86	-	(106)	-	(20)
Balance as at 30 June 2016	**97,844**	**(505)**	**618**	**(420)**	**(12,509)**	**85,028**

	The Group					
	Share capital	Treasury shares	Translation reserve	Other reserves	Accumulated profits	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2Q ended 30 June 2015						
Balance as at 1 April 2015	94,844	(759)	1,661	732	2,568	99,046
Profit for the period	-	-	-	-	173	173
Other comprehensive income						
Net change in fair value reserve of available-for-sale financial assets	-	-	-	80	-	80
Foreign currency translation	-	-	(138)	-	-	(138)
Other comprehensive income for the period, net of tax	-	-	(138)	80	-	(58)
Total comprehensive income for the period	-	-	(138)	80	173	115
Contributions by and distribution to owners						
Dividends on ordinary shares	-	-	-	-	(1,194)	(1,194)
Treasury shares reissued pursuant to equity compensation plans	-	291	-	(291)	-	-
Employee share-based expense	-	-	-	66	-	66
Total transactions with owners in their capacity as owners	-	291	-	(225)	(1,194)	(1,128)
Balance as at 30 June 2015	**94,844**	**(468)**	**1,523**	**587**	**1,547**	**98,033**

	The Group					
	Share capital	Treasury shares	Translation reserve	Other reserves	Accumulated profits	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2Q ended 30 June 2016						
Balance as at 1 April 2016	97,844	(644)	828	(170)	(10,098)	87,760
Loss for the period	-	-	-	-	(2,411)	(2,411)
Other comprehensive income						
Net change in fair value reserve of available-for-sale financial assets	-	-	-	(100)	-	(100)
Foreign currency translation	-	-	(210)	-	-	(210)
Other comprehensive income for the period, net of tax	-	-	(210)	(100)	-	(310)
Total comprehensive income for the period	-	-	(210)	(100)	(2,411)	(2,721)
Contributions by and distribution to owners						
Purchase of treasury shares	-	(26)	-	-	-	(26)
Treasury shares reissued pursuant to equity compensation plans	-	165	-	(165)	-	-
Employee share-based expense	-	-	-	15	-	15
Total transactions with owners in their capacity as owners	-	139	-	(150)	-	(11)
Balance as at 30 June 2016	**97,844**	**(505)**	**618**	**(420)**	**(12,509)**	**85,028**

	The Company				
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
1H ended 30 June 2015					
Balance as at 1 January 2015	94,844	(543)	860	(14,041)	81,120
Loss for the period	-	-	-	(1,579)	(1,579)
Other comprehensive income					
Net change in fair value reserve of available-for-sale financial assets	-	-	(114)	-	(114)
Other comprehensive income for the period, net of tax	-	-	(114)	-	(114)
Total comprehensive income for the period	-	-	(114)	(1,579)	(1,693)
Contributions by and distribution to owners					
Purchase of treasury shares	-	(216)	-	-	(216)
Dividends on ordinary shares	-	-	-	(1,194)	(1,194)
Treasury shares reissued pursuant to equity compensation plans	-	291	(291)	-	-
Employee share-based expense	-	-	174	-	174
Total transactions with owners in their capacity as owners	-	75	(117)	(1,194)	(1,236)
Balance as at 30 June 2015	**94,844**	**(468)**	**629**	**(16,814)**	**78,191**

	The Company				
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
1H ended 30 June 2016					
Balance as at 1 January 2016	97,844	(591)	234	(24,266)	73,221
Loss for the period	-	-	-	(1,432)	(1,432)
Other comprehensive income					
Net change in fair value reserve of available-for-sale financial assets	-	-	(505)	-	(505)
Other comprehensive income for the period, net of tax	-	-	(505)	-	(505)
Total comprehensive income for the period	-	-	(505)	(1,432)	(1,937)
Contributions by and distribution to owners					
Purchase of treasury shares	-	(79)	-	-	(79)
Treasury shares reissued pursuant to equity compensation plans	-	165	(165)	-	-
Employee share-based expense	-	-	59	-	59
Total transactions with owners in their capacity as owners	-	86	(106)	-	(20)
Balance as at 30 June 2016	**97,844**	**(505)**	**(377)**	**(25,698)**	**71,264**

	The Company				
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
2Q ended 30 June 2015					
Balance as at 1 April 2015	94,844	(759)	773	(14,958)	79,900
Loss for the period	-	-	-	(662)	(662)
Other comprehensive income					
Net change in fair value reserve of available-for-sale financial assets	-	-	81	-	81
Other comprehensive income for the period, net of tax	-	-	81	-	81
Total comprehensive income for the period	-	-	81	(662)	(581)
Contributions by and distribution to owners					
Dividends on ordinary shares	-	-	-	(1,194)	(1,194)
Treasury shares reissued pursuant to equity compensation plans	-	291	(291)	-	-
Employee share-based expense	-	-	66	-	66
Total transactions with owners in their capacity as owners	-	291	(225)	(1,194)	(1,128)
Balance as at 30 June 2015	**94,844**	**(468)**	**629**	**(16,814)**	**78,191**

	The Company				
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
2Q ended 30 June 2016					
Balance as at 1 April 2016	97,844	(644)	(147)	(24,991)	72,062
Loss for the period	-	-	-	(707)	(707)
Other comprehensive income					
Net change in fair value reserve of available-for-sale financial assets	-	-	(80)	-	(80)
Other comprehensive income for the period, net of tax	-	-	(80)	-	(80)
Total comprehensive income for the period	-	-	(80)	(707)	(787)
Contributions by and distribution to owners					
Purchase of treasury shares	-	(26)	-	-	(26)
Treasury shares reissued pursuant to equity compensation plans	-	165	(165)	-	-
Employee share-based expense	-	-	15	-	15
Total transactions with owners in their capacity as owners	-	139	(150)	-	(11)
Balance as at 30 June 2016	**97,844**	**(505)**	**(377)**	**(25,698)**	**71,264**

Save for the foregoing, there are no other (i) changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders.

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

Changes in company's share capital:

	Quantity	Share capital S$'000
Balance as at 31 March 2016 and 30 June 2016	862,792,553	97,844

During the second quarter of 2016, no Warrants were converted into ordinary shares (April to June 2015: Nil). The Company has 119,113,066 outstanding Warrants as at 30 June 2016 (30 June 2015: 119,113,066). Each Warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.138 for each new ordinary share and is exercisable during a five year period from the date of issue.

The Company has 13,179,464 (30 June 2015: 15,288,178) outstanding employee share options as at 30 June 2016. Each share option can be used to subscribe for an ordinary shares at S$0.1043 (30 June 2015: S$0.1043 to S$0.1897 per share option).

On 29 April 2016, the Company transferred 2,300,000 treasury shares to employees on vesting of share awards (April to June 2015: 3,300,000) and granted Nil share awards under Viking Long Term Incentive Plan (the "Plan") (30 June 2015: 2,300,000). The Company has Nil outstanding share awards as at 30 June 2016 under the Viking Long Term Incentive Plan (30 June 2015: 2,300,000).

As at 30 June 2016, the number of ordinary shares in issue was 862,792,553 of which 7,268,300 were held by the Company as treasury shares. (30 June 2015: 801,405,199 ordinary shares and 5,317,000 treasury shares)

Save for the foregoing, there are no other changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since 31 March 2016.

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

	As at 30 June 2016		As at 31 December 2015	
	No. of shares	S$'000	No. of shares	S$'000
Total number of issued shares at the end of the financial period/year	862,792,553	97,844	801,405,199	94,844
Issuance of shares pursuant to the exercise of redeemable exchangeable bond	-	-	61,387,354	3,000
Number of Treasury Shares at the end of the financial period/year	(7,268,300)	(505)	(7,489,800)	(591)
Net number of issued shares at the end of the financial period/year	855,524,253	97,339	855,302,753	97,253

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

	No. of share	S$'000
Balance as at 1 April 2016	8,932,000	644
Treasury shares transferred on vested of share awards	(2,300,000)	(165)
Purchase of treasury shares	636,300	26
Balance as at 30 June 2016	7,268,300	505

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as compared with the audited financial statements for the year ended 31 December 2015, except for those disclosed under Paragraph 5.

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

The Group adopted the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2016. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in respective FRS and INT FRS. The adoption of new/revised FRS and INT FRS did not result in any substantial changes to the Group's accounting policies or any significant impact on the Group's financial statements.

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

	2Q 2016 cents	2Q 2015 cents	1H 2016 cents	1H 2015 cents
Earnings per ordinary share				
(i) Based on the weighted average number of ordinary share on issue	(0.28)	0.02	(0.43)	0.14
(ii) On a fully diluted basis (detailing any adjustments made to the earnings)	(0.28)	0.02	(0.43)	0.14
Earnings per ordinary share from continuing operations				
(i) Based on the weighted average number of ordinary share on issue	(0.28)	0.02	(0.43)	0.14
(ii) On a fully diluted basis (detailing any adjustments made to the earnings)	(0.28)	0.02	(0.43)	0.14
Computed based on the following weighted average number of shares				
Basic	855,169,342	795,072,814	854,986,100	795,098,145
Diluted	855,169,342	797,372,814	854,986,100	797,398,145

7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	S$		S$	
	30.06.16	31.12.15	30.06.16	31.12.15
Net asset value per ordinary share based on the total number of issued shares excluding treasury shares	0.10	0.11	0.08	0.09

Footnote:

Net asset value per ordinary share is based on 855,524,253 ordinary shares as at 30 June 2016 (31 December 2015: 855,302,753 shares).

8 A review of the performance of the group to the extent necessary for a reasonable understanding of the business. It must include a discussion of the following:—
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Financial Performance

The Group's revenue of S$23.6 million for the financial period ended 30 June 2016 ("1H-2016") decreased by 45% compared to the corresponding period last year due to lower order book carried forward, further exacerbated by deferrals of projects and lower new order intake. The Group's business is not insulated from the downturn in the oil and gas industry, and the continued difficult market condition remains challenging for the Group.

On the asset chartering business front, the Group had received request from the charterer to suspend or terminate the charter for the second land drilling rig due to the cancellation of their drilling contract. In this regard, the Group ceased to recognise revenue for its second land rig in the second quarter as the Group is in the midst of renegotiating the terms of charter with the charterer.

The Group's gross profit decreased in tandem with the lower revenue recognised.

Other income decreased largely due to the foreign exchange loss in the first quarter of the year as opposed to a gain in the corresponding period last year.

Total expenses for the current year decreased compared to prior year due to the lower business activities and cost management efforts. Lower marketing and distribution expenses in 1H-2016 is in line with the lower sales order intake during the period and the delay in existing projects. Administrative expenses decreased largely due to the rightsizing of manpower and curtailed spending in response to the activity level of the Group amidst the challenging market condition. Other operating expenses increased largely due to the commencement of depreciation of the new building starting from the third quarter of 2015. Finance cost in 1H-2016 has increased as a result of higher loans and borrowings to support the asset chartering business compared to the corresponding period last year.

Financial Position

The Net Assets for the Group stood at S$85 million as at 30 June 2016, lower compared to that as at 31 December 2015 due to loss incurred for the period.

As a result of the lower business activity level, the slower replenishment of inventories resulted in a lower inventory balance. Correspondingly, the trade receivables from the offshore and marine business segment are reduced as a result of lesser billings and collections from customers. This is offset by the aged lease receivables from the asset chartering business segment. Subsequent to the half-year-end, the asset-charter customer has made some repayments in reducing the aged lease receivables. The Group is currently in negotiation with the customer to agree on an improved repayment schedule and also negotiating on the second land drilling rig suspension or cancellation request. The amount due from contract customers decreased due to the eventual billing upon meeting milestones and lower level of project activities. Other receivables and deposits decreased as the Group managed to recover the amount due during the period.

The higher term loan balance as at 30 June 2016 compared to that as at 31 December 2015 was due to loan draw down to finance the operations of the Group. Trade and other payables decreased due to payment made to suppliers for goods received or service rendered, coupled with lesser purchases from lower business level.

Cashflow

The net cash flow generated from operations was mainly due to the lesser purchases for project activities and replenishment of inventories, the billing of amount due from contract customers after meeting the project milestones and subsequent collection from receivables.

Less capital expenditures were made during the period as the construction of the new building was completed in the prior year, thereby resulting in lower cash flows used in investing activities.

Cash inflow from financing activities was lower due to the repayment of borrowings particularly after the completion of the new building.

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

Not applicable

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

The offshore and marine industry and oil and gas sector is showing little signs of recovery and is expected to remain challenging with the continued oil price volatility and uncertain climate. This prolonged industry downturn impacted the Group business activity with delays to existing projects, a trend which is expected to continue. Sales order intake during the period was also much weaker compared to the prior year due to limited new projects in the market.

Against this backdrop, the Group will continue to exercise prudence when evaluating potential project and will place greater emphasis on operational cost discipline in project execution. To sustain its business volumes during this downturn, the Group will continue to diversify its customer base towards non-oil and gas and onshore requirements. These initiatives will take time to develop and not likely to fully cover shortfall in our traditional business segments.

The collection of charter income was affected during this downturn. A repayment schedule has recently been agreed upon with the charterer to repay the overdue amount. Post the half-year-end, the Group received payments from the charterer according to the committed milestone in the negotiated repayment plan. We have also received request from the charterer to suspend or cancel the second land rig charter contract, and we are in the process of negotiating a settlement or charter term revision.

The Group is also working with the bondholders on the redeemable exchangeable bonds that will be due in the fourth-quarter of this year; with the plan of a partial redemption and extension of bond maturity for part of the balances.

The Group will continue to aggressively pursue cost management and resource action to extract efficiency and savings. While cost saving measures have been put in place, further cost cutting actions will be required given the continued challenging outlook. The Group will rightsize its resources and operating infrastructure in order to cope with the lower business volumes and margin pressure from competitors vying for the limited opportunities.

11 Dividend

(a) Current Financial Period Reported On
Any dividend recommended for the current financial period report on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

Not applicable.

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

No IPT mandate has been obtained.

14 Confirmation By Directors Pursuant to Rule 705(5) of the Listing Manual of SGX-ST

The Board of Directors of the Company hereby confirms to the best of its knowledge nothing has come to its attention which may render the unaudited interim financial results for the second quarter ended 30 June 2016 to be false or misleading in any material respect.

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive offices in the format set out in Appendix 7H under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

MR ANDY LIM
CHAIRMAN AND EXECUTIVE DIRECTOR

MR LOW JOOI KOK
CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

5 August 2016
Singapore