



PACIFIC RADIANCE LTD
Company Registration No. 200609894C

**Unaudited Third Quarter ("3Q 2015") Financial Statement and Dividend Announcement
For the Nine Months Ended 30 September 2015 ("9M 2015")**

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

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

	Group			Group		
	3Q 2015	3Q 2014*	+/(-)	9M 2015	9M 2014*	+/(-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	33,759	44,359	(24)	100,082	135,012	(26)
Cost of sales	(26,574)	(34,115)	(22)	(72,428)	(84,119)	(14)
Gross profit	7,185	10,244	(30)	27,654	50,893	(46)
Other operating income	7,790	13,216	(41)	12,180	40,264	(70)
General and administrative expenses	(5,873)	(8,646)	(32)	(17,382)	(24,514)	(29)
Other operating expenses	(2,739)	184	NM	(4,567)	(3,283)	39
Finance costs	(3,241)	(2,261)	43	(9,182)	(6,482)	42
Share of results of joint ventures	168	2,829	(94)	1,886	7,684	(75)
Share of results of associate	(235)	(343)	(31)	(1,655)	1,532	NM
Profit before taxation	3,055	15,223	(80)	8,934	66,094	(86)
Taxation	(1,469)	(914)	61	(2,462)	(2,841)	(13)
Profit for the period	1,586	14,309	(89)	6,472	63,253	(90)
Other comprehensive income:						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation	(117)	62	NM	(104)	844	NM
Net fair value changes on cash flow hedges	(1,091)	(1,449)	(25)	(2,346)	(1,449)	62
Share of other comprehensive loss of a joint venture	(736)	-	NM	(1,170)	-	NM
Other comprehensive income for the period, net of tax	(1,944)	(1,387)	40	(3,620)	(605)	NM
Total comprehensive income for the period	(358)	12,922	NM	2,852	62,648	(95)
Profit for the period attributable to:						
Equity holders of the Company	1,665	13,066	(87)	6,406	63,266	(90)
Non-controlling interests	(79)	1,243	NM	66	(13)	NM
	1,586	14,309	(89)	6,472	63,253	(90)
Total comprehensive income for the period attributable to:						
Equity holders of the Company	(226)	11,648	NM	2,848	62,661	(95)
Non-controlling interests	(132)	1,274	NM	4	(13)	NM
	(358)	12,922	NM	2,852	62,648	(95)

* Some of the prior period's comparative figures have been reclassified to conform to the current period's presentation.

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

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

	Group		Group	
	3Q 2015	3Q 2014	9M 2015	9M 2014
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation of property, plant and equipment	7,125	6,547	19,979	20,558
Impairment /(Write back) of doubtful receivables, net	72	(613)	117	937
Gain on sale of property, plant and equipment, net	(6,609)	(11,538)	(6,505)	(35,197)
Net fair value loss/(gain) on derivatives	427	300	(270)	623
Exchange loss	1,961	35	4,421	1,138
Write back of provision for litigation claims	–	–	–	(842)
(Write back) of/Provision for net liabilities of a joint venture (included in share of results of joint ventures)	–	(74)	–	440
Net loss/(gain) on acquisition of subsidiaries	–	63	–	(435)
Net (gain)/loss on deemed disposal of subsidiaries	–	(4)	–	450
Net gain on acquisition of additional interest in a joint venture	(70)	–	(256)	–
Interest income	(798)	(404)	(3,552)	(810)
Realisation of deferred gain on sale of vessels to joint ventures (included in share of results of joint ventures)	(75)	(95)	(224)	(285)
Realisation of deferred gain on sale of vessels to associates (included in share of results of associates)	(31)	(40)	(93)	(120)
Provision for tax in respect of prior years	15	24	19	52

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

	Group		Company	
	As at 30 Sep 2015 US\$'000	As at 31 Dec 2014 US\$'000	As at 30 Sep 2015 US\$'000	As at 31 Dec 2014 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	639,695	572,053	–	–
Investment in subsidiaries	–	–	44,752	44,752
Investment in associate	4,407	6,156	–	–
Investment in joint ventures	65,109	59,360	–	–
Club memberships	302	302	–	–
Derivatives	–	178	–	–
	709,513	638,049	44,752	44,752
Current assets				
Inventories	1,620	3,329	–	–
Trade receivables	30,545	35,102	–	–
Other receivables	57,229	6,526	139	205
Amounts due from related companies	49,891	55,105	289,385	204,947
Cash and cash equivalents	57,876	101,436	726	52,655
	197,161	201,498	290,250	257,807
Total assets	906,674	839,547	335,002	302,559
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	13,407	15,846	–	–
Other liabilities	47,957	41,316	1,149	5,323
Amounts due to related companies	703	1,148	77,186	39,929
Bank loans	68,748	50,664	–	–
Provision for taxation	4,709	5,496	–	–
Finance lease obligations	151	29	–	–
Derivatives	247	1,170	–	–
	135,922	115,669	78,335	45,252
Non-current liabilities				
Other liabilities	8,585	8,777	–	–
Bank loans	259,743	201,404	–	–
Notes payable	69,950	74,781	69,951	74,781
Deferred tax liabilities	166	166	–	–
Finance lease obligations	489	102	–	–
Derivatives	14,422	6,729	13,498	6,279
	353,355	291,959	83,449	81,060
Total liabilities	489,277	407,628	161,784	126,312
Net assets	417,397	431,919	173,218	176,247

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

	Group		Company	
	As at 30 Sep 2015	As at 31 Dec 2014	As at 30 Sep 2015	As at 31 Dec 2014
	US\$'000	US\$'000	US\$'000	US\$'000
Equity attributable to equity holders of the Company				
Share capital	162,854	162,854	162,854	162,854
Treasury shares	(760)	–	(760)	–
Retained earnings	268,987	278,603	14,796	14,720
Other reserves	(17,053)	(13,495)	(3,672)	(1,327)
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	414,028	427,962	173,218	176,247
Non-controlling interests	3,369	3,957	–	–
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Total equity	417,397	431,919	173,218	176,247
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1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

Group As at 30 Sep 2015		Group As at 31 Dec 2014	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
67,995	904	50,693	–

Amount repayable after one year

Group As at 30 Sep 2015		Group As at 31 Dec 2014	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
256,549	73,633	201,506	74,781

Details of any collateral:

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

- First legal mortgages over the vessels of the Group, with net book values of US\$494.7 million and US\$378.8 million as at 30 September 2015 and 31 December 2014 respectively;
- First legal mortgages over the buildings and ship-repair yard of the Group, with net book values of US\$39.0 million and US\$26.6 million as at 30 September 2015 and 31 December 2014 respectively;
- A right to take assignment of charter earnings and insurance policies of the mortgaged vessels;
- Legal assignment of all rights and benefits of the related shipbuilding contracts between the Group and the related shipbuilders and any subsequent variations; and
- Cash pledged of US\$3.7 million and US\$0.7 million as at 30 September 2015 and 31 December 2014 respectively.

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

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

	Group	
	3Q 2015 US\$'000	3Q 2014* US\$'000
Cash flows from operating activities:		
Profit before taxation	3,055	15,223
Adjustments for:		
Depreciation of property, plant and equipment	7,125	6,547
Interest expense	3,241	2,261
Interest income	(798)	(404)
Share of results of joint ventures	(168)	(2,829)
Share of result of associate	235	343
Gain on sale of property, plant and equipment, net	(6,609)	(11,538)
Impairment/(write back) of doubtful receivables, net	72	(613)
Net loss on acquisition of a subsidiary	–	63
Net gain on deemed disposal of a subsidiary	–	(4)
Net gain on acquisition of additional interest in a joint venture	(70)	–
Net fair value loss on derivatives	427	300
Exchange difference	(2,969)	(10)
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Operating cash flows before changes in working capital	3,541	9,339
Decrease in trade and other receivables	8,635	3,373
Decrease/(Increase) in amounts due from/to related companies	419	(1,360)
Decrease in inventories	2,077	670
Increase/(Decrease) in trade payables and other liabilities	674	(1,353)
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Cash generated from operations	15,346	10,669
Income taxes paid	(999)	(1,120)
Interest paid	(7,859)	(1,944)
Interest received	264	97
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Net cash flows generated from operating activities	6,752	7,702
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1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd).

	Group	
	3Q 2015 US\$'000	3Q 2014* US\$'000
Cash flows from investing activities:		
Additions to property, plant and equipment	(10,193)	(65,829)
Investment in joint ventures	(811)	(1,216)
Acquisition of non-controlling interests	–	(1,590)
Net cash inflow on acquisition of subsidiary	–	16
Net cash outflow on deemed disposal of a subsidiary	–	(995)
Loans to related companies, net	(6,681)	3,025
Proceeds from sale of property, plant and equipment	–	55,693
Dividend received from a joint venture	14	–
Net cash flows used in investing activities	<u>(17,671)</u>	<u>(10,896)</u>
Cash flows from financing activities:		
Proceeds from finance lease obligations	170	68
Repayment of finance lease obligations	(100)	(41)
Proceeds from bank loans	46,000	36,778
Repayment of bank loans	(53,905)	(45,827)
Purchase of treasury shares	(760)	–
Net proceeds from notes payable	–	79,557
Cash and cash equivalents pledged as securities	(1,363)	471
Net cash flows generated (used in)/from financing activities	<u>(9,958)</u>	<u>71,006</u>
Net (decrease)/increase in cash and cash equivalents	(20,877)	67,812
Effect of exchange rate changes on cash and cash equivalents	339	210
Cash and cash equivalents at beginning of period	74,737	71,876
Cash and cash equivalents at end of the period	<u>54,199</u>	<u>139,898</u>
Breakdown of cash and cash equivalents at end of the period:		
Cash and cash equivalents as per balance sheet	57,876	140,601
Cash pledged	(3,677)	(703)
	<u>54,199</u>	<u>139,898</u>

* Some of the prior period's comparative figures have been reclassified to conform to the current period's presentation.

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

	Share capital	Treasury Shares	Retained earnings	Total other reserves	Foreign currency translation reserve	Employee share-based payments reserve	Hedging reserve	Capital reserve	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group											
Balance at 1 July 2015	162,854	–	267,322	(15,162)	(8,968)	172	(3,187)	(3,179)	415,014	2,965	417,979
Profit for the period	–	–	1,665	–	–	–	–	–	1,665	(79)	1,586
<u>Other comprehensive income</u>											
- Foreign currency translation	–	–	–	(64)	(64)	–	–	–	(64)	(53)	(117)
- Net fair value changes on cash flow hedges	–	–	–	(1,091)	–	–	(1,091)	–	(1,091)	–	(1,091)
- Share of other comprehensive income of a joint venture	–	–	–	(736)	–	–	(736)	–	(736)	–	(736)
Total comprehensive income for the period	–	–	1,665	(1,891)	(64)	–	(1,827)	–	(226)	(132)	(358)
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	536	536
Purchase of treasury shares	–	(760)	–	–	–	–	–	–	(760)	–	(760)
Balance at 30 September 2015	162,854	(760)	268,987	(17,053)	(9,032)	172	(5,014)	(3,179)	414,028	3,369	417,397
Balance at 1 July 2014	155,254	–	261,512	(1,570)	(1,872)	172	–	130	415,196	(99)	415,097
Profit for the period	–	–	13,066	–	–	–	–	–	13,066	1,243	14,309
<u>Other comprehensive income:</u>											
- Foreign currency translation	–	–	–	31	31	–	–	–	31	31	62
- Net fair value changes on cash flow hedges	–	–	–	(1,449)	–	–	(1,449)	–	(1,449)	–	(1,449)
Total comprehensive income for the period	–	–	13,066	(1,418)	31	–	(1,449)	–	11,648	1,274	12,922
Acquisition of Non-Controlling Interest without a change in control	–	–	–	(3,309)	–	–	–	(3,309)	(3,309)	1,719	(1,590)
Effects of change in functional currency	7,600	–	(1,025)	(6,796)	(6,796)	–	–	–	(221)	–	(221)
Balance at 30 September 2014	162,854	–	273,553	(13,093)	(8,637)	172	(1,449)	(3,179)	423,314	2,894	426,208

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

	Share capital	Treasury Shares	Retained earnings	Total other reserves	Foreign currency translation reserve	Employee share-based payments reserve	Hedging reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Company								
Balance at 1 July 2015	162,854	–	15,875	(2,581)	–	172	(2,753)	176,148
Loss for the period	–	–	(1,079)	–	–	–	–	(1,079)
<u>Other comprehensive income:</u>								
- Net fair value changes on cash flow hedges	–	–	–	(1,091)	–	–	(1,091)	(1,091)
Total comprehensive income for the period	–	–	(1,079)	(1,091)	–	–	(1,091)	(2,170)
Purchase of treasury shares	–	(760)	–	–	–	–	–	(760)
Balance at 30 September 2015	162,854	(760)	14,796	(3,672)	–	172	(3,844)	173,218
Balance at 1 July 2014	155,254	–	21,951	6,968	6,796	172	–	184,173
Loss for the period	–	–	(1,021)	–	–	–	–	(1,021)
<u>Other comprehensive income:</u>								
- Net fair value changes on cash flow hedges	–	–	–	(1,449)	–	–	(1,449)	(1,449)
Total comprehensive income for the period	–	–	(1,021)	(1,449)	–	–	(1,449)	(2,470)
Effects of change in functional currency	7,600	–	(1,025)	(6,796)	(6,796)	–	–	(221)
Balance at 30 September 2014	162,854	–	19,905	(1,277)	–	172	(1,449)	181,482

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

Under the Share Buy Back Mandate (first approved by the Shareholders on 30 April 2014 and last renewed at the Annual General Meeting on 28 April 2015), the Company bought back 3,409,600 ordinary shares during the third quarter of 2015. These shares are held as treasury shares. The amount paid, including brokerage fees, totalled US\$759,624.97 and was deducted against shareholders' equity.

As at 30 September 2015, the Company's total issued shares is 725,755,013 ordinary shares (30 September 2014: 725,755,013) with 3,409,600 (30 September 2014: Nil) shares being held as treasury shares.

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

The Company's total issued shares excluding treasury shares is 722,345,413 as at 30 September 2015 (31 December 2014: 725,755,013).

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

Not applicable.

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

The financial statements for the periods under review have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial reporting period as those applied in the audited financial statements for the year ended 31 December 2014 except as disclosed in note 5 below.

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

On 1 January 2015, the Group and the Company adopted all new and revised FRSs and interpretation of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements.

In addition, the Group revised the estimated useful lives of certain types of vessels from 20 years to 25 years after conducting an operational and sector review of each category of the vessels' useful lives. The Group has always been actively reviewing its fleet composition and newbuild programme to ensure that its fleet remains market relevant. Over the years, the fleet composition of the Group has gradually changed to larger vessels with higher specifications. The usability of such vessels is expected to be 25 years. As a result, the Group has revised the useful lives of certain types of vessels from 20 to 25 years.

In accordance with FRS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting estimate has been applied from 1 January 2015. Accordingly, the adoption of the change in accounting estimate has no effect in prior years.

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

	Group	
	9M 2015	9M 2014
Profit attributable to equity holders of the Company (US\$'000)	6,406	63,266
Weighted average ordinary shares for calculation ('000):		
- applicable to basic earnings per share	725,274	725,755
- based on a fully diluted basis	725,274	725,755
Earnings per ordinary share ("EPS") (US cents)		
(a) Based on weighted average number of ordinary shares on issue	0.9	8.7
(b) On a fully diluted basis	0.9	8.7

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 30 Sep 15	As at 31 Dec 14	As at 30 Sep 15	As at 31 Dec 14
Net asset value (US\$'000)	417,397	431,919	173,218	176,247
Total number of ordinary shares issued ('000)	722,345	725,755	722,345	725,755
Net asset value per ordinary share (US cents)	57.8	59.5	24.0	24.3

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

REVIEW OF GROUP PERFORMANCE

9 months ended 30 September 2015 ("9M 2015") vs 9 months ended 30 September 2014 ("9M 2014")

Revenue

Revenue decreased by approximately US\$34.9 million or 26% from US\$135.0 million in 9M 2014 to US\$100.1 million in 9M 2015.

The decrease was mainly attributable to the decline in revenue of our Subsea Business of US\$23.0 million or 81% from US\$28.4 million in 9M 2014 to US\$5.4 million in 9M 2015, and from our Offshore Support Services Business of US\$9.2 million or 9% from US\$98.4 million in 9M 2014 to US\$89.2 million in 9M 2015.

The decrease in revenue was mainly attributable to lower utilisation of vessels from our Subsea Business and Offshore Support Services Business as a result of the softer market conditions in 9M 2015 as compared to the previous corresponding period.

3 months ended 30 September 2015 ("3Q 2015") vs 3 months ended 30 September 2014 ("3Q 2014")

Revenue decreased by approximately US\$10.6 million or 24% from US\$44.4 million in 3Q 2014 to US\$33.8 million in 3Q 2015.

The decrease was mainly attributable to the decline in revenue of our Subsea Business of US\$3.3 million or 57% from US\$5.8 million in 3Q 2014 to US\$2.5 million in 3Q 2015, and from our Offshore Support Services Business of US\$4.0 million or 13% from US\$31.8 million in 3Q 2014 to US\$27.8 million in 3Q 2015.

The decrease in revenue was mainly attributable to lower utilisation of vessels from our Subsea Business and Support Services Business as a result of the softer market conditions in 3Q 2015 as compared to the previous corresponding period.

Gross profit

9 months ended 30 September 2015 ("9M 2015") vs 9 months ended 30 September 2014 ("9M 2014")

Gross profit decreased by approximately US\$23.2 million or 46% from US\$50.9 million in 9M 2014 to US\$27.7 million in 9M 2015. Gross profit margin decreased from 38% in 9M 2014 to 28% in 9M 2015.

The overall decrease in gross profit and gross profit margin was mainly attributable to weaker performance from our Subsea Business and Offshore Support Services Business in line with the reasons stated above.

3 months ended 30 September 2015 ("3Q 2015") vs 3 months ended 30 September 2014 ("3Q 2014")

Gross profit decreased by approximately US\$3.0 million or 30% from US\$10.2 million in 3Q 2014 to US\$7.2 million in 3Q 2015. Gross profit margin decreased from 23% in 3Q 2014 to 21% in 3Q 2015.

The overall decrease in gross profit and gross profit margin was mainly attributable to weaker performance from our Subsea Business and Offshore Support Services Business in line with the reasons stated above.

REVIEW OF GROUP PERFORMANCE (CONT'D)

Other operating income

9 months ended 30 September 2015 ("9M 2015") vs 9 months ended 30 September 2014 ("9M 2014")

Other operating income decreased by approximately US\$28.1 million or 70% from US\$40.3 million in 9M 2014 to US\$12.2 million in 9M 2015.

The decrease was mainly attributable to the decline in gain on sale of vessels of US\$28.7 million or 82% from US\$35.2 million in 9M 2014 to US\$6.5 million in 9M 2015. 8 vessels were sold in 9M 2014 as opposed to 4 vessels in 9M 2015.

3 months ended 30 September 2015 ("3Q 2015") vs 3 months ended 30 September 2014 ("3Q 2014")

Other operating income decreased by approximately US\$5.4 million or 41% from US\$13.2 million in 3Q 2014 to US\$7.8 million in 3Q 2015.

The decrease was mainly attributable to the decline in gain on sale of vessels of US\$5.0 million or 44% from US\$11.5 million in 3Q 2014 to US\$6.5 million in 3Q 2015. 2 vessels were sold in both 3Q 2014 and 3Q 2015.

General and administrative expenses

9 months ended 30 September 2015 ("9M 2015") vs 9 months ended 30 September 2014 ("9M 2014")

General and administrative expenses decreased by approximately US\$7.1 million or 29% from US\$24.5 million in 9M 2014 to US\$17.4 million in 9M 2015. This is mainly due to reduction in staff costs.

3 months ended 30 September 2015 ("3Q 2015") vs 3 months ended 30 September 2014 ("3Q 2014")

General and administrative expenses decreased by approximately US\$2.7 million or 32% from US\$8.6 million in 3Q 2014 to US\$5.9 million in 3Q 2015. This is mainly due to reduction in staff costs.

Other operating expenses

9 months ended 30 September 2015 ("9M 2015") vs 9 months ended 30 September 2014 ("9M 2014")

Other operating expenses increased by approximately US\$1.3 million or 39% from US\$3.3 million in 9M 2014 to US\$4.6 million in 9M 2015.

The net increase of US\$1.3 million was mainly due to higher foreign exchange losses recorded in 9M 2015 which was offset by the absence of net loss on deemed disposal of subsidiary and impairment of doubtful receivables recorded in 9M 2014.

3 months ended 30 September 2015 ("3Q 2015") vs 3 months ended 30 September 2014 ("3Q 2014")

Other operating expenses increased by approximately US\$2.9 million from a gain of US\$0.2 million in 3Q 2014 to a loss of US\$2.7 million in 3Q 2015.

The increase was mainly due to higher foreign exchange losses of US\$2.0 million recorded in 3Q 2015 (3Q 2014: US\$0.03 million). In addition, a net gain of US\$0.5 million was recorded in 3Q 2014 mainly due to write back of doubtful receivables during the period.

REVIEW OF GROUP PERFORMANCE (CONT'D)

Finance costs

9 months ended 30 September 2015 ("9M 2015") vs 9 months ended 30 September 2014 ("9M 2014")

3 months ended 30 September 2015 ("3Q 2015") vs 3 months ended 30 September 2014 ("3Q 2014")

Finance cost increased by approximately US\$2.7 million or 42% from US\$6.5 million in 9M 2014 to US\$9.2 million in 9M 2015.

Finance cost increased by approximately US\$0.9 million or 43% from US\$2.3 million in 3Q 2014 to US\$3.2 million in 3Q 2015.

The increase in finance costs for both periods was in line with the increase in bank loans, finance lease obligations and notes payable outstanding from US\$343.4 million as at 30 September 2014 to US\$399.1 million as at 30 September 2015.

Share of results of joint ventures

9 months ended 30 September 2015 ("9M 2015") vs 9 months ended 30 September 2014 ("9M 2014")

Share of results of joint ventures decreased by approximately US\$5.8 million or 75% from US\$7.7 million in 9M 2014 to US\$1.9 million in 9M 2015. The decrease was mainly attributable to decrease in share of results of the Group's listed joint venture in Indonesia, PT Logindo Samudramakmur Tbk ("PT Logindo") as a result of the softer market conditions.

3 months ended 30 September 2015 ("3Q 2015") vs 3 months ended 30 September 2014 ("3Q 2014")

Share of results of joint ventures decreased by approximately US\$2.6 million or 94% from US\$2.8 million in 3Q 2014 to US\$0.2 million in 3Q 2015. The decrease was mainly attributable to decrease in share of results of PT Logindo due to the softer market conditions.

Share of results of associate

9 months ended 30 September 2015 ("9M 2015") vs 9 months ended 30 September 2014 ("9M 2014")

Share of results of associate decreased by approximately US\$3.2 million from share of profit of US\$1.5 million in 9M 2014 to a share of loss of US\$1.7 million in 9M 2015 mainly due to the softer market conditions.

3 months ended 30 September 2015 ("3Q 2015") vs 3 months ended 30 September 2014 ("3Q 2014")

Share of results of associate increased by approximately US\$0.1 million from share of loss of US\$0.3 million in 3Q 2014 to a share of loss of US\$0.2 million in 3Q 2015 due mainly to exchange gain.

Taxation

9 months ended 30 September 2015 ("9M 2015") vs 9 months ended 30 September 2014 ("9M 2014")

3 months ended 30 September 2015 ("3Q 2015") vs 3 months ended 30 September 2014 ("3Q 2014")

Tax expense decreased by approximately US\$0.3 million or 13% from US\$2.8 million in 9M 2014 to US\$2.5 million in 9M 2015. The decrease in taxation expense was due to lower withholding taxes incurred for 9M 2015.

Tax expense increased by approximately US\$0.6 million or 61% from US\$0.9 million in 3Q 2014 to US\$1.5 million in 3Q 2015. The increase in taxation expense was due to higher withholding taxes incurred in 3Q 2015.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets amounted to US\$709.5 million as at 30 September 2015. The increase in non-current assets from US\$638.0 million as at 31 December 2014 was mainly due to:

- (i) Increase in property, plant and equipment of US\$67.6 million; and
- (ii) Increase in investment in joint ventures of US\$5.7 million primarily due to additional investment in joint ventures of US\$2.8 million and share of results equity accounted for the financial period ended 30 September 2015.

Current assets

The Group's current assets amounted to US\$197.2 million as at 30 September 2015. The decrease in current assets from US\$201.5 million as at 31 December 2014 was mainly due to:

- (i) Decrease in trade receivables of US\$4.6 million;
- (ii) Decrease in amounts due from related companies of US\$5.2 million;
- (iii) Decrease in cash and cash equivalent of US\$43.6 million; and
- (iv) Partially offset by increase in other receivables of US\$50.7 million.

Current liabilities

The Group's current liabilities amounted to US\$135.9 million as at 30 September 2015. The increase in current liabilities from US\$115.7 million as at 31 December 2014 was mainly attributable to:

- (i) Increase in other liabilities of US\$6.6 million;
- (ii) Increase in current bank loans of US\$18.1 million; and
- (iii) Partially offset by decrease in trade payables of US\$2.4 million.

Non-current liabilities

The Group's non-current liabilities amounted to US\$353.4 million as at 30 September 2015. Non-current liabilities increased from US\$292.0 million as at 31 December 2014 primarily due to net increase in bank loans of US\$58.3 million.

REVIEW OF CASH FLOWS

In 3Q 2015, the Group generated net cash inflow from operating activities of approximately US\$6.8 million, which comprises cash inflow from operating activities before working capital changes of US\$3.5 million, net working capital inflow of US\$11.8 million, net interest paid of US\$7.6 million and taxes paid of US\$1.0 million.

The net cash inflow from changes in working capital of US\$11.8 million was mainly due to:-

- (i) Decrease in trade and other receivables of US\$8.6 million;
- (ii) Decrease in amounts due from/to related companies of US\$0.4 million;
- (iii) Decrease in inventories of US\$2.1 million; and
- (iv) Increase in trade payables and other liabilities of US\$0.7 million.

Net cash outflow from investing activities was approximately US\$17.7 million, which was mainly due to:-

- (i) Additions to property, plant and equipment of US\$10.2 million;
- (ii) Investment in joint ventures of US\$0.8 million; and
- (iii) Loans to related companies, (net) of US\$6.7 million.

Net cash outflow from financing activities was approximately US\$10.0 million, which was mainly due to:-

- (i) Repayment of bank loans of US\$53.9 million;
- (ii) Purchase of treasury shares of US\$0.8 million;
- (iii) Cash and cash equivalents pledged as securities of US\$1.4 million; and
- (iv) Partially offset by proceeds from bank loans of US\$46.0 million.

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

Not applicable.

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

Market conditions continue to be depressed for the Oil & Gas sector, and this is expected to continue for at least the next few quarters.

In preparation for the long journey ahead towards market recovery, the Group has (i) intensified prudent balance sheet management; and (ii) deployed extensive cost management measures. These will continue to be the mainstay of the Group's focus in the medium term. Concurrently, the Group has and will continue to plant its marketing and business development seeds in emerging markets in order to build new markets as well as grow existing ones.

The Group remains committed to the longer term prospects of this sector, as it believes that the current reduction in capital expenditure in Exploration and Development Activities by the Oil & Gas players is likely to lead to an eventual reduction in supply capacity, given the depletion rate of existing reserves together with the continually sustained level of global demand for fossil fuels. Global population growth and urbanisation will continue to drive demand for energy consumption and this provides the tail wind for the industry as a whole in the long run.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

NA

(d) Books closure date

NA

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.

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

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

The Board hereby confirm to the best of their knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the nine months ended 30 September 2015 to be false or misleading in any material respect.

On behalf of the Board of Directors

Pang Yoke Min
Executive Chairman

Mok Weng Vai
Executive Director

12 November 2015