



PACIFIC RADIANCE LTD
Company Registration No. 200609894C

**Unaudited Second Quarter ("2Q 2016") Financial Statement and Dividend Announcement
For the Six Months Ended 30 June 2016 ("6M 2016")**

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

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

	Group			Group		
	2Q 2016	2Q 2015*	+ /(-)	6M 2016	6M 2015	+ /(-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	20,010	34,780	(42)	38,376	66,323	(42)
Cost of sales	(27,726)	(25,803)	7	(47,419)	(45,854)	3
Gross profit	(7,716)	8,977	NM	(9,043)	20,469	NM
Other operating income	2,621	2,746	(5)	6,036	5,191	16
General and administrative expenses	(5,914)	(5,503)	7	(11,332)	(11,510)	(2)
Other operating expenses	(42,410)	(198)	NM	(43,232)	(2,628)	NM
Finance costs	(3,995)	(3,160)	26	(7,246)	(5,941)	22
Share of results of joint ventures	(4,528)	717	NM	(3,769)	1,718	NM
Share of results of associate	(121)	(754)	(84)	-	(1,419)	NM
(Loss)/profit before taxation	(62,063)	2,825	NM	(68,586)	5,880	NM
Taxation	(785)	(649)	21	(1,126)	(993)	13
(Loss)/profit for the period	(62,848)	2,176	NM	(69,712)	4,887	NM
Other comprehensive (loss)/income: <u>Items that may be reclassified</u> <u>subsequently to profit or loss:</u>						
Foreign currency translation	(31)	46	NM	(275)	14	NM
Net fair value changes on cash flow hedges	(1,758)	210	NM	426	(1,255)	NM
Share of other comprehensive (loss)/income of a joint venture	(35)	(434)	(92)	174	(434)	NM
Other comprehensive (loss)/income for the period, net of tax	(1,824)	(178)	NM	325	(1,675)	NM
Total comprehensive (loss)/income for the period	(64,672)	1,998	NM	(69,387)	3,212	NM
(Loss)/profit for the period attributable to:						
Equity holders of the Company	(57,722)	2,214	NM	(64,486)	4,742	NM
Non-controlling interests	(5,126)	(38)	NM	(5,226)	145	NM
	(62,848)	2,176	NM	(69,712)	4,887	NM
Total comprehensive (loss)/income for the period attributable to:						
Equity holders of the Company	(59,543)	2,015	NM	(64,181)	3,076	NM
Non-controlling interests	(5,129)	(17)	NM	(5,206)	136	NM
	(64,672)	1,998	NM	(69,387)	3,212	NM

NM: Not Meaningful

* Some of the prior period's comparative figures have been restated to present the impact of change in accounting estimate with effect from 1 January 2015.

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

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

	Group		Group	
	2Q 2016 US\$'000	2Q 2015* US\$'000	6M 2016 US\$'000	6M 2015 US\$'000
Depreciation of property, plant and equipment (included in cost of sales)	7,108	6,002	13,666	11,729
Depreciation of property, plant and equipment (included in general and administrative expenses)	520	553	1,010	1,124
Impairment of doubtful receivables, net	9,259	45	9,364	45
(Gain)/loss on sale of property, plant and equipment, net	(3)	114	(3)	104
Impairment of property, plant and equipment	32,906	–	32,906	–
Net fair value loss/(gain) on derivatives	100	(1,307)	691	(697)
Exchange (gain)/loss	(521)	31	(778)	2,460
Net gain on acquisition of a subsidiary	–	–	(793)	–
Net loss on disposal of subsidiaries	137	–	137	–
Net gain on acquisition of additional interest in a joint venture	–	(185)	–	(185)
Interest income	(2,024)	(716)	(4,167)	(2,755)
Net gain on disposal of investment securities	–	–	(25)	–
Net fair value loss/(gain) on investment securities	22	–	(23)	–
Realisation of deferred gain on sale of vessels to joint ventures (included in share of results of joint ventures)	(229)	(96)	(395)	(193)
Realisation of deferred gain on sale of vessels to associates (included in share of results of associates)	121	(40)	–	(80)
Provision for tax in respect of prior years	–	4	–	4

* Some of the prior period's comparative figures have been restated to present the impact of change in accounting estimate with effect from 1 January 2015.

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

	Group		Company	
	As at 30 Jun 2016 US\$'000	As at 31 Dec 2015 US\$'000	As at 30 Jun 2016 US\$'000	As at 31 Dec 2015 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	666,619	606,249	–	–
Investment in subsidiaries	–	–	44,113	44,752
Investment in associate	–	–	–	–
Investment in joint ventures	58,628	68,045	–	–
Club memberships	166	289	–	–
Amount due from related companies	50,571	75,363	–	–
Derivatives	–	58	–	–
	775,984	750,004	44,113	44,752
Current assets				
Inventories	772	942	–	–
Trade receivables	17,323	25,249	–	–
Other receivables	23,979	13,823	64	177
Amounts due from related companies	92,181	83,362	370,185	323,378
Investment securities	81	125	–	–
Cash and cash equivalents	30,054	43,133	544	302
	164,390	166,634	370,793	323,857
Total assets	940,374	916,638	414,906	368,609
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	14,361	14,321	–	–
Other liabilities	56,642	55,180	2,030	2,733
Amounts due to related companies	4,160	1,213	160,477	110,065
Bank loans	101,057	80,512	–	–
Provision for taxation	2,625	3,241	121	184
Finance lease obligations	134	150	–	–
Derivatives	20	37	–	–
	178,999	154,654	162,628	112,982
Non-current liabilities				
Other liabilities	12,824	13,117	–	–
Provisions	213	187	–	–
Deferred capital grant	1,418	1,418	–	–
Bank loans	323,345	248,977	–	–
Notes payable	72,501	69,331	72,501	69,331
Deferred tax liabilities	311	123	–	–
Finance lease obligations	369	430	–	–
Derivatives	9,046	12,390	7,976	11,971
	420,027	345,973	80,477	81,302
Total liabilities	599,026	500,627	243,105	194,284
Net assets	341,348	416,011	171,801	174,325

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 Jun 2016 US\$'000	As at 31 Dec 2015 US\$'000	As at 30 Jun 2016 US\$'000	As at 31 Dec 2015 US\$'000
Equity attributable to equity holders of the Company				
Share capital	162,854	162,854	162,854	162,854
Treasury shares	(2,128)	(817)	(2,128)	(817)
Retained earnings	196,635	266,416	12,804	14,443
Other reserves	(14,760)	(15,065)	(1,729)	(2,155)
	342,601	413,388	171,801	174,325
Non-controlling interests	(1,253)	2,623	–	–
Total equity	341,348	416,011	171,801	174,325

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

Amount repayable in one year or less, or on demand

Group As at 30 Jun 2016		Group As at 31 Dec 2015	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
100,202	989	79,743	919

Amount repayable after one year

Group As at 30 Jun 2016		Group As at 31 Dec 2015	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
320,609	75,606	245,652	73,086

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\$533.7 million and US\$412.5 million as at 30 June 2016 and 31 December 2015 respectively;
- Escrow mortgages over the buildings and ship-repair yard under construction of the Group, with net book values of US\$61.4 million and US\$47.7 million as at 30 June 2016 and 31 December 2015 respectively;
- A right to take assignment of charter earnings of the mortgaged vessels and insurance policies of the mortgaged vessels, mortgaged buildings and mortgaged ship-repair yard under construction;
- Cash pledged of US\$6.7 million and US\$4.2 million as at 30 June 2016 and 31 December 2015 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	
	2Q 2016 US\$'000	2Q 2015* US\$'000
Cash flows from operating activities:		
(Loss)/profit before taxation	(62,063)	2,825
Adjustments for:		
Depreciation of property, plant and equipment	7,628	6,555
Interest expense	3,995	3,160
Interest income	(2,024)	(716)
Share of results of joint ventures	4,528	(717)
Share of result of associate	121	754
(Gain)/loss on sale of property, plant and equipment, net	(3)	114
Impairment of property, plant and equipment	32,906	–
Impairment of doubtful receivables, net	9,259	45
Net loss on disposal of subsidiaries	137	–
Net gain on acquisition of additional interest in a joint venture	–	(185)
Net fair value loss/(gain) on derivatives	100	(1,307)
Net fair value loss on investment securities	22	–
Exchange differences	178	(802)
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Operating cash flows before changes in working capital	(5,216)	9,726
Increase in trade and other receivables	(3,839)	(3,542)
(Increase)/decrease in amounts due from/to related companies	(1,395)	554
(Increase)/decrease in inventories	(557)	70
Increase/(decrease) in trade payables and other liabilities	3,567	(2,711)
	<hr/>	<hr/>
Cash (used in)/generated from operations	(7,440)	4,097
Income taxes paid	(1,015)	(795)
Interest paid	(2,555)	(2,142)
Interest received	105	241
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Net cash flows (used in)/generated from operating activities	(10,905)	1,401
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* Some of the prior period's comparative figures have been restated to present the impact of change in accounting estimate with effect from 1 January 2015.

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

	Group	
	2Q 2016 US\$'000	2Q 2015 US\$'000
Cash flows from investing activities:		
Additions to property, plant and equipment	(32,888)	(60,002)
Investment in joint ventures	(446)	(868)
Loans to related companies, net	(14,936)	(955)
Proceeds from sale of property, plant and equipment	33,996	3,030
Net cash inflow on disposal of subsidiaries	162	–
Dividend received from a joint venture	–	612
Net cash flows used in from investing activities	(14,112)	(58,183)
Cash flows from financing activities:		
Proceeds from finance lease obligations	–	471
Repayment of finance lease obligations	(36)	(23)
Proceeds from bank loans	45,604	66,997
Repayment of bank loans	(17,323)	(15,762)
Dividends paid on ordinary shares	(5,295)	(16,021)
Dividends paid to non-controlling interests	(536)	(1,868)
Cash and cash equivalents pledged as securities	742	(405)
Net cash flows generated from financing activities	23,156	33,389
Net decrease in cash and cash equivalents	(1,861)	(23,393)
Effect of exchange rate changes on cash and cash equivalents	(21)	(276)
Cash and cash equivalents at beginning of period	25,261	98,406
Cash and cash equivalents at end of the period	23,379	74,737
Breakdown of cash and cash equivalents at end of the period:		
Cash and cash equivalents as per balance sheet	30,054	77,050
Cash pledged	(6,675)	(2,313)
	23,379	74,737

* Some of the prior period's comparative figures have been restated to present the impact of change in accounting estimate with effect from 1 January 2015.

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 April 2016	162,854	(2,128)	259,652	(12,939)	(9,557)	172	(375)	(3,179)	407,439	4,483	411,922
Loss for the period	-	-	(57,722)	-	-	-	-	-	(57,722)	(5,126)	(62,848)
<u>Other comprehensive income</u>											
- Foreign currency translation	-	-	-	(28)	(28)	-	-	-	(28)	(3)	(31)
- Net fair value changes on cash flow hedges	-	-	-	(1,758)	-	-	(1,758)	-	(1,758)	-	(1,758)
- Share of other comprehensive loss of a joint venture	-	-	-	(35)	-	-	(35)	-	(35)	-	(35)
Total comprehensive loss for the period	-	-	(57,722)	(1,821)	(28)	-	(1,793)	-	(59,543)	(5,129)	(64,672)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(71)	(71)
Dividends paid	-	-	(5,295)	-	-	-	-	-	(5,295)	(536)	(5,831)
Balance at 30 June 2016	162,854	(2,128)	196,635	(14,760)	(9,585)	172	(2,168)	(3,179)	342,601	(1,253)	341,348
Balance at 1 April 2015*	162,854	-	281,129	(14,963)	(8,993)	172	(2,963)	(3,179)	429,020	4,850	433,870
Profit for the period*	-	-	2,214	-	-	-	-	-	2,214	(38)	2,176
<u>Other comprehensive income:</u>											
- Foreign currency translation*	-	-	-	25	25	-	-	-	25	21	46
- Net fair value changes on cash flow hedges*	-	-	-	210	-	-	210	-	210	-	210
- Share of other comprehensive income of a joint venture	-	-	-	(434)	-	-	(434)	-	(434)	-	(434)
Total comprehensive income for the period*	-	-	2,214	(199)	25	-	(224)	-	2,015	(17)	1,998
Dividends paid	-	-	(16,021)	-	-	-	-	-	(16,021)	(1,868)	(17,889)
Balance at 30 June 2015	162,854	-	267,322	(15,162)	(8,968)	172	(3,187)	(3,179)	415,014	2,965	417,979

* Some of the prior period's comparative figures have been restated to present the impact of change in accounting estimate with effect from 1 January 2015.

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

	Share capital	Treasury Shares	Retained earnings	Total other reserves	Employee share-based payments reserve	Hedging reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>The Company</u>							
Balance at 1 April 2016	162,854	(2,128)	15,145	29	172	(143)	175,900
Loss for the period	-	-	2,954	-	-	-	2,954
<u>Other comprehensive income:</u>							
- Net fair value changes on cash flow hedges	-	-	-	(1,758)	-	(1,758)	(1,758)
Total comprehensive income for the period	-	-	2,954	(1,758)	-	(1,758)	1,196
Dividends paid	-	-	(5,295)	-	-	-	(5,295)
Balance at 30 June 2016	162,854	(2,128)	12,804	(1,729)	172	(1,901)	171,801
Balance at 1 April 2015	162,854	-	32,429	(2,792)	172	(2,964)	192,491
Loss for the period	-	-	(533)	-	-	-	(533)
<u>Other comprehensive income:</u>							
- Foreign currency translation	-	-	-	211	-	211	211
Total comprehensive income for the period	-	-	(533)	211	-	211	(322)
Dividends paid	-	-	(16,021)	-	-	-	(16,021)
Balance at 30 June 2015	162,854	-	15,875	(2,581)	172	(2,753)	176,148

- 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 2016), the Company has not bought back any ordinary shares during the second quarter of 2016.

As at 30 June 2016, the Company's total issued shares is 725,755,013 ordinary shares (31 December 2015: 725,755,013) with 9,917,400 (31 December 2015: 3,681,000) shares being held as treasury shares.

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

The Company's total issued shares excluding treasury shares is 715,837,613 as at 30 June 2016 (31 December 2015: 722,074,013).

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

The movement of treasury shares are as follows:

As at 1 April 2016	: 9,917,400 shares
Purchase of treasury shares during the period	: Nil
As at 30 June 2016	: 9,917,400 shares

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial reporting period as those applied in the audited financial statements for the year ended 31 December 2015 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 2016, 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 2016. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements.

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

	Group	
	6M 2016	6M 2015
(Loss)/profit attributable to equity holders of the Company (US\$'000)	<u>(64,486)</u>	<u>4,742</u>
Weighted average ordinary shares for calculation ('000):		
- applicable to basic earnings per share	716,357	725,755
- based on a fully diluted basis	<u>716,357</u>	<u>725,755</u>
Earnings per ordinary share ("EPS") (US cents)		
(a) Based on weighted average number of ordinary shares on issue	(9.0)	0.7
(b) On a fully diluted basis	<u>(9.0)</u>	<u>0.7</u>

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

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

	Group		Company	
	As at 30 Jun 16	As at 31 Dec 15	As at 30 Jun 16	As at 31 Dec 15
Net asset value (US\$'000)	341,348	416,011	171,801	174,325
Total number of ordinary shares issued ('000)	715,838	722,074	715,838	722,074
Net asset value per ordinary share (US cents)	47.7	57.6	24.0	24.1

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

6 months ended 30 June 2016 ("6M 2016") vs 6 months ended 30 June 2015 ("6M 2015")

Revenue

Revenue decreased by approximately US\$27.9 million or 42% from US\$66.3 million in 6M 2015 to US\$38.4 million in 6M 2016.

The decrease was mainly attributable to the decline in revenue of our Offshore Support Services Business of US\$25.4 million or 41% from US\$61.3 million in 6M 2015 to US\$35.9 million in 6M 2016, and from our Subsea Business of US\$0.9 million or 31% from US\$3.0 million in 6M 2015 to US\$2.1 million in 6M 2016.

The decrease in revenue was mainly attributable to lower utilisation and lower charter rates of vessels from our Offshore Support Services Business and Subsea Business as a result of the softer market conditions in 6M 2016.

3 months ended 30 June 2016 ("2Q 2016") vs 3 months ended 30 June 2015 ("2Q 2015")

Revenue decreased by approximately US\$14.8 million or 42% from US\$34.8 million in 2Q 2015 to US\$20.0 million in 2Q 2016.

The decrease was mainly attributable to the decline in revenue of our Offshore Support Services Business of US\$13.8 million or 42% from US\$32.7 million in 2Q 2015 to US\$18.9 million in 2Q 2016.

The decrease in revenue was mainly attributable to lower utilisation and lower charter rates of vessels from our Offshore Support Services Business as a result of the softer market conditions in 2Q 2016.

Gross profit

6 months ended 30 June 2016 ("6M 2016") vs 6 months ended 30 June 2015 ("6M 2015")

Gross profit decreased by approximately US\$29.5 million from a profit of US\$20.5 million in 6M 2015 to a loss of US\$9.0 million in 6M 2016.

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

3 months ended 30 June 2016 ("2Q 2016") vs 3 months ended 30 June 2015 ("2Q 2015")

Gross profit decreased by approximately US\$16.7 million from a profit of US\$9.0 million in 2Q 2015 to a loss of US\$7.7 million in 2Q 2016.

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

REVIEW OF GROUP PERFORMANCE (CONT'D)

Other operating income

6 months ended 30 June 2016 ("6M 2016") vs 6 months ended 30 June 2015 ("6M 2015")

Other operating income increased by approximately US\$0.8 million or 16% from US\$5.2 million in 6M 2015 to US\$6.0 million in 6M 2016.

3 months ended 30 June 2016 ("2Q 2016") vs 3 months ended 30 June 2015 ("2Q 2015")

Other operating income decreased by approximately US\$0.1 million or 5% from US\$2.7 million in 2Q 2015 to US\$2.6 million in 2Q 2016.

General and administrative expenses

6 months ended 30 June 2016 ("6M 2016") vs 6 months ended 30 June 2015 ("6M 2015")

General and administrative expenses decreased by approximately US\$0.2 million or 2% from US\$11.5 million in 6M 2015 to US\$11.3 million in 6M 2016.

3 months ended 30 June 2016 ("2Q 2016") vs 3 months ended 30 June 2015 ("2Q 2015")

General and administrative expenses increased by approximately US\$0.4 million or 7% from US\$5.5 million in 2Q 2015 to US\$5.9 million in 2Q 2016.

Other operating expenses

6 months ended 30 June 2016 ("6M 2016") vs 6 months ended 30 June 2015 ("6M 2015")

Other operating expenses increased by approximately US\$40.6 million from US\$2.6 million in 6M 2015 to US\$43.2 million in 6M 2016. The increase was mainly due to impairment of property, plant and equipment of US\$32.9 million (of which US\$4.8 million is attributable to non-controlling interests) and impairment of doubtful receivables of US\$9.4 million in 6M 2016.

3 months ended 30 June 2016 ("2Q 2016") vs 3 months ended 30 June 2015 ("2Q 2015")

Other operating expenses increased by approximately US\$42.2 million from US\$0.2 million in 2Q 2015 to US\$42.4 million in 2Q 2016. The increase was mainly due to impairment of property, plant and equipment of US\$32.9 million (of which US\$4.8 million is attributable to non-controlling interests) and impairment of doubtful receivables of US\$9.3 million in 2Q 2016.

Finance costs

6 months ended 30 June 2016 ("6M 2016") vs 6 months ended 30 June 2015 ("6M 2015")

3 months ended 30 June 2016 ("2Q 2016") vs 3 months ended 30 June 2015 ("2Q 2015")

Finance cost increased by approximately US\$1.3 million or 22% from US\$5.9 million in 6M 2015 to US\$7.2 million in 6M 2016.

Finance cost increased by approximately US\$0.8 million or 26% from US\$3.2 million in 2Q 2015 to US\$4.0 million in 2Q 2016.

The increase in finance costs for both periods was in line with an increase in bank loans outstanding from US\$336.4 million as at 30 June 2015 to US\$424.4 million as at 30 June 2016.

REVIEW OF GROUP PERFORMANCE (CONT'D)

Share of results of joint ventures

6 months ended 30 June 2016 ("6M 2016") vs 6 months ended 30 June 2015 ("6M 2015")

Share of results of joint ventures decreased by approximately US\$5.5 million from share of gain of US\$1.7 million in 6M 2015 to share of loss of US\$3.8 million in 6M 2016. 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") which included share of impairment loss of vessels of US\$3.8 million.

3 months ended 30 June 2016 ("2Q 2016") vs 3 months ended 30 June 2015 ("2Q 2015")

Share of results of joint ventures decreased by approximately US\$5.2 million from share of gain of US\$0.7 million in 2Q 2015 to share of loss of US\$4.5 million in 2Q 2016. The decrease was mainly attributable to decrease in share of results of PT Logindo which included share of impairment loss of vessels of US\$3.8 million.

Share of results of associate

6 months ended 30 June 2016 ("6M 2016") vs 6 months ended 30 June 2015 ("6M 2015")

Share of results of associate increased by approximately US\$1.4 million from a share of loss of US\$1.4 million in 6M 2015 to nil in 6M 2016 as the Group recognises its share of losses only up to the Group's interest in the associate.

3 months ended 30 June 2016 ("2Q 2016") vs 3 months ended 30 June 2015 ("2Q 2015")

Share of results of associate increased by approximately US\$0.6 million from a share of loss of US\$0.7 million in 2Q 2015 to a share of loss of US\$0.1 million in 2Q 2016 as the Group recognises its share of losses only up to the Group's interest in the associate.

Taxation

6 months ended 30 June 2016 ("6M 2016") vs 6 months ended 30 June 2015 ("6M 2015")

3 months ended 30 June 2016 ("2Q 2016") vs 3 months ended 30 June 2015 ("2Q 2015")

Taxation expense increased by approximately US\$0.1 million from US\$1.0 million in 6M 2015 to US\$1.1 million in 6M 2016.

Taxation expense increased by approximately US\$0.1 million from US\$0.6 million in 2Q 2015 to US\$0.7 million in 2Q 2016.

The increase in taxation expense for both periods was due to higher taxes incurred.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets amounted to US\$776.0 million as at 30 June 2016. The increase in non-current assets from US\$750.0 million as at 31 December 2015 was mainly due to:

- (i) Increase in property, plant and equipment of US\$60.4 million;
- (ii) Partially offset by decrease in investment in joint ventures of US\$9.4 million; and
- (iii) Decrease in amount due from other related companies of US\$24.8 million;

Current assets

The Group's current assets amounted to US\$164.4 million as at 30 June 2016. The decrease in current assets from US\$166.6 million as at 31 December 2015 was mainly due to:

- (i) Decrease in trade receivables of US\$7.9 million;
- (ii) Decrease in cash and cash equivalent of US\$13.1 million ;
- (iii) Partially offset by Increase in other receivables of US\$10.2 million; and
- (iv) Increase in amount due from related companies of US\$8.8 million.

Current liabilities

The Group's current liabilities amounted to US\$179.0 million as at 30 June 2016. The increase in current liabilities from US\$154.7 million as at 31 December 2015 was mainly attributable to:

- (i) Increase in other liabilities of US\$1.5 million;
- (ii) Increase in amount due to related companies of US\$2.9 million;
- (iii) Increase in bank loans of US\$20.5 million; and
- (iv) Partially offset by decrease in provision of taxation of US\$0.6 million.

The Group is in a negative working capital position of US\$14.6 million as at 30 June 2016. This is mainly due to increase in bank loans (committed and secured) classified as current liabilities. Management is closely monitoring the Group's working capital requirements and expects the Group to be able to meet its short term obligations as and when they fall due.

Non-current liabilities

The Group's non-current liabilities amounted to US\$420.0 million as at 30 June 2016. Non-current liabilities increased from US\$346.0 million as at 31 December 2015 primarily due to increase in bank loans of US\$74.4 million.

REVIEW OF CASH FLOWS

In 2Q 2016, the Group recorded net cash outflow from operating activities of approximately US\$10.9 million, which comprises cash outflow from operating activities before working capital changes of US\$5.2 million, net working capital outflow of US\$2.2 million, net interest paid of US\$2.5 million and taxes paid of US\$1.0 million.

The net cash outflow from changes in working capital of US\$2.2 million was mainly due to:-

- (i) Increase in trade and other receivables of US\$3.8 million;
- (ii) Increase in net amounts due from related companies of US\$1.4 million;
- (iii) Increase in inventories of US\$0.6 million; and
- (iv) Partially offset by increase in trade payables and other liabilities of US\$3.6 million.

Net cash outflow from investing activities was approximately US\$14.1 million, which was mainly due to:-

- (i) Additions to property, plant and equipment of US\$32.9 million;
- (ii) Investment in joint ventures of US\$0.4 million;
- (iii) Net loans to related companies of US\$14.9 million; and
- (iv) Partially offset by proceeds from sale of property, plant and equipment of US\$34.0 million.

Net cash inflow from financing activities was approximately US\$23.2 million, which was mainly due to:-

- (i) Proceeds from bank loans of US\$45.6 million;
- (ii) Partially offset by repayment of bank loans of US\$17.3 million;
- (iii) Dividends paid on ordinary shares of US\$5.3 million; and
- (iv) Dividends paid to non-controlling interests of a subsidiary of US\$0.5 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.

Brent oil prices appear to have stabilised to US\$40 to US\$50 per barrel range over the last quarter, although its effects on the sector have yet to be felt.

Despite the possibility of rebalancing of the supply and demand in crude oil over the next 12 months, outlook remains uncertain over geo-political uncertainties affecting growth in the global economy.

This challenging backdrop has negatively affected the Group's results in the short term. The Group is mindful that the challenging times ahead may last another two to three years.

The Group remains focused on its strategies and continues to (i) work on opportunities to improve revenue / profitability; (ii) pursue cost reduction initiatives; and (iii) closely manage its cash flows to ensure the sustainability of its businesses.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

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

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

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

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

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

The Board hereby 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 six months ended 30 June 2016 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 August 2016