



PACIFIC RADIANCE LTD
Company Registration No. 200609894C

Unaudited First Quarter ("1Q 2017") Financial Statement and Dividend Announcement
For the Three Months Ended 31 March 2017 ("3M 2017")

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		+ / (-)
	1Q 2017	1Q 2016	
	US\$'000	US\$'000	
Revenue	13,969	18,366	(24)
Cost of sales	(20,967)	(19,693)	6
Gross profit	(6,998)	(1,327)	NM
Other operating income	3,009	3,415	(12)
General and administrative expenses	(5,512)	(5,418)	2
Other operating expenses	(889)	(822)	8
Finance costs	(4,313)	(3,251)	33
Share of results of joint ventures	(87)	759	NM
Share of results of associate	-	121	NM
Loss before taxation	(14,790)	(6,523)	NM
Taxation	(459)	(341)	35
Loss for the period	(15,249)	(6,864)	NM
Other comprehensive (loss) / income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Foreign currency translation	(657)	(244)	NM
Net fair value changes on cash flow hedges	147	2,184	(93)
Share of other comprehensive income of a joint venture	134	209	(36)
Other comprehensive (loss) / income for the period, net of tax	(376)	2,149	NM
Total comprehensive loss for the period	(15,625)	(4,715)	NM
Loss for the period attributable to:			
Equity holders of the Company	(14,749)	(6,764)	NM
Non-controlling interests	(500)	(100)	NM
	(15,249)	(6,864)	NM
Total comprehensive loss for the period attributable to:			
Equity holders of the Company	(15,124)	(4,638)	NM
Non-controlling interests	(501)	(77)	NM
	(15,625)	(4,715)	NM

NM: Not Meaningful

1(a)(ii) Loss for the period was stated after charging/(crediting) the following:

	Group	
	1Q 2017	1Q 2016
	US\$'000	US\$'000
Depreciation of property, plant and equipment (included in cost of sales)	7,448	6,558
Depreciation of property, plant and equipment (included in general and administrative expenses)	295	490
Impairment of doubtful receivables, net	26	105
Net fair value (gain)/loss on derivatives	(170)	591
Loss on sale of property, plant and equipment	669	–
Loss on sale of assets held for sale	180	–
Loss on disposal of club membership	125	–
Exchange gain	(629)	(257)
Net gain on acquisition of a subsidiary	–	(793)
Interest income	(1,960)	(2,143)
Net fair value loss/(gain) on investment securities	14	(45)
Net gain on disposal of investment securities	–	(25)
Realisation of deferred gain on sale of vessels to joint ventures (included in share of results of joint ventures)	(181)	(166)
Realisation of deferred gain on sale of vessels to associate (included in share of results of associates)	–	(121)
Provision for tax in respect of prior years	136	–

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 31 Mar 2017 US\$'000	As at 31 Dec 2016 US\$'000	As at 31 Mar 2017 US\$'000	As at 31 Dec 2016 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	607,608	613,772	–	–
Investment in subsidiaries	–	–	48,837	48,833
Investment in associate	–	–	–	–
Investment in joint ventures	60,255	60,346	–	–
Club memberships	156	296	–	–
Amount due from related companies	61,930	62,143	–	–
Derivatives	39	12	–	–
	729,988	736,569	48,837	48,833
Current assets				
Inventories	873	873	–	–
Trade receivables	14,323	10,359	–	–
Other receivables	17,743	14,884	5	35
Amounts due from related companies	91,944	89,177	377,152	373,627
Investment securities	59	69	–	–
Derivatives	24	–	–	–
Assets held for sale	–	1,768	–	–
Cash and bank balances	23,661	50,628	3,305	4,126
	148,627	167,758	380,462	377,788
Total assets	878,615	904,327	429,299	426,621
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	17,894	13,330	–	–
Other liabilities	55,104	53,841	1,332	2,190
Amounts due to related companies	4,999	3,977	180,348	176,682
Bank loans	44,592	49,029	–	–
Provision for taxation	2,465	2,304	374	227
Finance lease obligations	264	206	–	–
	125,318	122,687	182,054	179,099
Non-current liabilities				
Other liabilities	12,135	12,276	–	–
Provisions	228	220	–	–
Deferred capital grant	1,418	1,418	–	–
Bank loans	384,527	397,016	–	–
Notes payable	70,302	67,806	70,302	67,806
Deferred tax liabilities	1,575	1,319	–	–
Finance lease obligations	609	560	–	–
Derivatives	9,162	12,005	9,078	11,802
	479,956	492,620	79,380	79,608
Total liabilities	605,274	615,307	261,434	258,707
Net assets	273,341	289,020	167,865	167,914

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 31 Mar 2017 US\$'000	As at 31 Dec 2016 US\$'000	As at 31 Mar 2017 US\$'000	As at 31 Dec 2016 US\$'000
Equity attributable to equity holders of the Company				
Share capital	162,854	162,854	162,854	162,854
Treasury shares	(2,530)	(2,530)	(2,530)	(2,530)
Retained earnings	128,349	142,663	7,777	7,978
Other reserves	(12,549)	(12,179)	(236)	(388)
	276,124	290,808	167,865	167,914
Non-controlling interests	(2,783)	(1,788)	–	–
Total equity	273,341	289,020	167,865	167,914

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 31 Mar 2017		Group As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
44,856	-	49,235	-

Amount repayable after one year

Group As at 31 Mar 2017		Group As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
385,136	70,302	397,576	67,806

Details of any collateral:

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

- First legal mortgages over the vessels of the Group, with net book values of US\$477.6 million and US\$486.2 million as at 31 March 2017 and 31 December 2016 respectively;
- Escrow mortgages over the buildings, ship-repair yard and plant and equipment of the Group, with net book values of US\$61.0 million and US\$59.2 million as at 31 March 2017 and 31 December 2016 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; and
- Cash pledged of US\$8.4 million and US\$8.3 million as at 31 March 2017 and 31 December 2016 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	
	1Q 2017	1Q 2016
	US\$'000	US\$'000
Cash flows from operating activities:		
Loss before taxation	(14,790)	(6,523)
Adjustments for:		
Depreciation of property, plant and equipment	7,743	7,048
Interest expense	4,313	3,251
Interest income	(1,960)	(2,143)
Share of results of joint ventures	87	(759)
Share of result of associate	–	(121)
Loss on sale of property, plant and equipment	669	–
Loss on sale of assets held for sale	180	–
Impairment of doubtful receivables, net	26	105
Impairment of club memberships	–	123
Net gain on acquisition of a subsidiary	–	(793)
Net fair value (gain)/loss on derivatives	(170)	591
Net fair value loss/(gain) on investment securities	14	(45)
Net gain on disposal of investment securities	–	(25)
Loss on disposal of club membership	125	–
Share-based payment expense	5	–
Exchange difference	(891)	(1,316)
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Operating cash flows before changes in working capital	(4,649)	(607)
Increase in trade and other receivables	(5,104)	(4,005)
Increase in amounts due from/to related companies	(4,585)	(3,827)
Increase in inventories	–	(285)
Increase /(decrease) in trade payables and other liabilities	6,890	(2,537)
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Cash used in operations	(7,448)	(11,261)
Taxes refunded/(paid)	95	(279)
Interest paid	(5,809)	(3,592)
Interest received	19	45
	<hr/>	<hr/>
Net cash flows used in operating activities	(13,143)	(15,087)
	<hr/>	<hr/>
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,562)	(42,630)
Proceeds from sale of property, plant and equipment	4,815	–
Proceeds from sale of assets held for sale	1,588	–
Proceeds from sale of investment securities	–	94
Net cash outflow on disposal of subsidiary	(57)	–
Net cash inflow on acquisition of a subsidiary	–	736
Loans repayment to related companies, net	(2)	(36)
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Net cash flows generated from/(used in) investing activities	4,782	(41,836)
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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.

	Group	
	1Q 2017 US\$'000	1Q 2016 US\$'000
Cash flows from financing activities:		
Repayment of finance lease obligations	(60)	(35)
Proceeds from bank loans	12,000	63,795
Repayment of bank loans	(30,631)	(16,036)
Purchase of treasury shares	–	(1,311)
Cash and cash equivalents pledged as securities	(104)	(3,246)
	<hr/>	<hr/>
Net cash flows (used in)/generated from financing activities	(18,795)	43,167
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(27,156)	(13,756)
Effect of exchange rate changes on cash and cash equivalents	85	57
Cash and cash equivalents at beginning of period	42,291	38,960
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Cash and cash equivalents at end of the period	15,220	25,261
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Breakdown of cash and cash equivalents at end of the period:		
Cash and cash equivalents as per balance sheet	23,661	32,680
Cash pledged	(8,441)	(7,419)
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	15,220	25,261
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1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Treasury Shares	Retained earnings	Total other reserves	Foreign currency translation reserve	Employee share-based payments reserve	Hedging reserve	Defined benefit plans	Premium paid on acquisition of non-controlling interests	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	US\$'000
The Group												
Balance at 1 January 2017	162,854	(2,530)	142,663	(12,179)	(8,577)	182	(681)	76	(3,179)	290,808	(1,788)	289,020
Loss for the period	-	-	(14,749)	-	-	-	-	-	-	(14,749)	(500)	(15,249)
<u>Other comprehensive income</u>												
- Foreign currency translation	-	-	-	(656)	(656)	-	-	-	-	(656)	(1)	(657)
- Net fair value changes on cash flow hedges	-	-	-	147	-	-	147	-	-	147	-	147
- Share of other comprehensive income of a joint venture	-	-	-	134	-	-	134	-	-	134	-	134
Total comprehensive income for the period	-	-	(14,749)	(375)	(656)	-	281	-	-	(15,124)	(501)	(15,625)
<u>Contributions by and distributions to equity holders</u>												
- Grant of equity-settled share performance awards to employees	-	-	-	5	-	5	-	-	-	5	-	5
Total contributions by and distributions to equity holders	-	-	-	5	-	5	-	-	-	5	-	5
<u>Changes in ownership interests in subsidiaries</u>												
- Disposal of subsidiary	-	-	435	-	-	-	-	-	-	435	(494)	(59)
Total changes in ownership interests in subsidiaries	-	-	435	-	-	-	-	-	-	435	(494)	(59)
Balance at 31 March 2017	162,854	(2,530)	128,349	(12,549)	(9,233)	187	(400)	76	(3,179)	276,124	(2,783)	273,341

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 January 2016	162,854	(817)	266,416	(15,065)	(9,290)	172	(2,768)	(3,179)	413,388	2,623	416,011
Loss for the period	–	–	(6,764)	–	–	–	–	–	(6,764)	(100)	(6,864)
<u>Other comprehensive income</u>											
- Foreign currency translation	–	–	–	(267)	(267)	–	–	–	(267)	23	(244)
- Net fair value changes on cash flow hedges	–	–	–	2,184	–	–	2,184	–	2,184	–	2,184
- Share of other comprehensive income of a joint venture	–	–	–	209	–	–	209	–	209	–	209
Total comprehensive income for the period	–	–	(6,764)	2,126	(267)	–	2,393	–	(4,638)	(77)	(4,715)
<u>Contributions by and distributions to equity holders</u>											
- Acquisition of treasury shares	–	(1,311)	–	–	–	–	–	–	(1,311)	–	(1,311)
	–	(1,311)	–	–	–	–	–	–	(1,311)	–	(1,311)
<u>Changes in ownership interest in subsidiaries</u>											
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	1,937	1,937
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	–	1,937	1,937
Balance at 31 March 2016	162,854	(2,128)	259,652	(12,939)	(9,557)	172	(375)	(3,179)	407,439	4,483	411,922

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 January 2017	162,854	(2,530)	7,978	(388)	182	(570)	167,914
Loss for the period	–	–	(201)	–	–	–	(201)
<u>Other comprehensive income:</u>							
- Net fair value changes on cash flow hedges	–	–	–	147	–	147	147
Total comprehensive income for the period	–	–	(201)	147	–	147	(54)
<u>Contributions by and distributions to equity holders:</u>							
- Grant of equity-settled performance share awards to employees	–	–	–	5	5	–	5
Total contributions by and distributions to equity holders	–	–	–	5	5	–	5
Balance at 31 March 2017	162,854	(2,530)	7,777	(236)	187	(423)	167,865
Balance at 1 January 2016	162,854	(817)	14,443	(2,155)	172	(2,327)	174,325
Profit for the period	–	–	702	–	–	–	702
<u>Other comprehensive income:</u>							
- Net fair value changes on cash flow hedges	–	–	–	2,184	–	2,184	2,184
Total comprehensive income for the period	–	–	702	2,184	–	2,184	2,886
<u>Contributions by and distributions to equity holders:</u>							
- Acquisition of treasury shares	–	(1,311)	–	–	–	–	(1,311)
Total contributions by and distributions to equity holders	–	(1,311)	–	–	–	–	(1,311)
Balance at 31 March 2016	162,854	(2,128)	15,145	29	172	(143)	175,900

- 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 2017), the Company has not bought back any ordinary shares during the first quarter of 2017.

As at 31 March 2017, the Company's total issued shares is 725,755,013 ordinary shares (31 December 2016: 725,755,013) with 12,243,000 (31 December 2016: 12,243,000) 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 713,512,013 as at 31 March 2017 (31 December 2016: 713,512,013).

- 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 January 2017	: 12,243,000 shares
Purchase of treasury shares during the period	: Nil
As at 31 March 2017	: 12,243,000 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 2016, 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 2017, 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 2017. 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	
	1Q 2017	1Q 2016
Loss attributable to equity holders of the Company (US\$'000)	(14,749)	(6,764)
Weighted average ordinary shares for calculation ('000):		
- applicable to basic earnings per share	713,512	723,012
- based on a fully diluted basis	713,512	723,012
Loss per ordinary share ("EPS") (US cents)		
(a) Based on weighted average number of ordinary shares on issue	(2.1)	(0.9)
(b) On a fully diluted basis	(2.1)	(0.9)

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 31 Mar 17	As at 31 Dec 16	As at 31 Mar 17	As at 31 Dec 16
Net asset value (US\$'000)	276,124	290,808	167,865	167,914
Total number of ordinary shares issued ('000)	713,512	713,512	713,512	713,512
Net asset value per ordinary share (US cents)	38.7	40.8	23.5	23.5

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

3 months ended 31 March 2017 ("1Q 2017") vs 3 months ended 31 March 2016 ("1Q 2016")

Revenue

Revenue decreased by approximately US\$4.4 million or 24% from US\$18.4 million in 1Q 2016 to US\$14.0 million in 1Q 2017.

The decrease was mainly attributable to the decline in revenue of our Offshore Support Services Business of US\$9.1 million or 53% from US\$17.0 million in 1Q 2016 to US\$8.0 million in 1Q 2017 due to lower utilisation and lower charter rates of vessels from our Offshore Support Services Business.

This is partially offset by an increase in revenue from our Subsea Business of US\$3.4 million from US\$1.0 million in 1Q 2016 to US\$4.4 million in 1Q 2017 and revenue from our Shipyard Business of US\$1.6 million in 1Q 2017 which commenced operation in 3Q 2016.

Gross loss

3 months ended 31 March 2017 ("1Q 2017") vs 3 months ended 31 March 2016 ("1Q 2016")

Gross loss increased by approximately US\$5.7 million from US\$1.3 million in 1Q 2016 to US\$7.0 million in 1Q 2017.

As compared to 1Q 2016, the overall increase in gross loss was mainly attributable to weaker performance from our Offshore Support Services Business, which was partially offset by improved performance from our Subsea Business, in line with the reasons stated above.

Other operating income

3 months ended 31 March 2017 ("1Q 2017") vs 3 months ended 31 March 2016 ("1Q 2016")

Other operating income decreased by approximately US\$0.4 million or 12% from US\$3.4 million in 1Q 2016 to US\$3.0 million in 1Q 2017.

The decrease was mainly attributable to net gain on acquisition of a subsidiary in 1Q 2016 of US\$0.8 million, which was partially offset by higher foreign exchange gain of US\$0.4 million in 1Q 2017.

General and administrative expenses

3 months ended 31 March 2017 ("1Q 2016") vs 3 months ended 31 March 2015 ("1Q 2016")

General and administrative expenses increased by approximately US\$0.1 million or 2% from US\$5.4 million in 1Q 2016 to US\$5.5 million in 1Q 2017.

REVIEW OF GROUP PERFORMANCE (CONT'D)

Other operating expenses

3 months ended 31 March 2017 ("1Q 2017") vs 3 months ended 31 March 2016 ("1Q 2016")

Other operating expenses increased by approximately US\$0.1 million or 8% from US\$0.8 million in 1Q 2016 to US\$0.9 million in 1Q 2017. The increase was mainly due to loss on disposal of vessels of US\$0.8 million in 1Q 2017, offset by fair value gain on derivatives in 1Q 2017 recorded under other income, compared to fair value loss on derivatives of US\$0.6 million loss recorded in 1Q 2016.

Finance costs

3 months ended 31 March 2017 ("1Q 2017") vs 3 months ended 31 March 2016 ("1Q 2016")

Finance cost increased by approximately US\$1.0 million or 33% from US\$3.3 million in 1Q 2016 to US\$4.3 million in 1Q 2017.

The increase in finance costs was in line with the increase in bank loans and finance lease obligations from US\$396.0 million as at 31 March 2016 to US\$430.0 million as at 31 March 2017.

Share of results of joint ventures

3 months ended 31 March 2017 ("1Q 2017") vs 3 months ended 31 March 2016 ("1Q 2016")

Share of results of joint ventures decreased by approximately US\$0.9 million from a share of profit of US\$0.8 million in 1Q 2016 to a share of loss of US\$0.1 million in 1Q 2017 due to lower utilisation and lower charter rates for the vessels owned by the joint ventures.

Share of results of associate

3 months ended 31 March 2017 ("1Q 2017") vs 3 months ended 31 March 2016 ("1Q 2016")

Share of results of associate was nil in 1Q 2017 compared to US\$0.1 million in 1Q 2016 as the Group recognised its share of losses only up to the Group's interest in the associate.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets amounted to US\$730.0 million as at 31 March 2017. The decrease in non-current assets from US\$736.6 million as at 31 December 2016 was mainly due to the:

- (i) decrease in property, plant and equipment of US\$6.2 million; and
- (ii) decrease in amount due from other related companies of US\$0.2 million.

Current assets

The Group's current assets amounted to US\$148.6 million as at 31 March 2017. The decrease in current assets from US\$167.8 million as at 31 December 2016 was mainly due to the:

- (i) decrease in cash and cash equivalents of US\$27.0 million; and
- (ii) decrease in assets held for sale of US\$1.8 million;

which was partially offset by the:

- (iii) increase in trade receivables of US\$4.0 million;
- (iv) increase in other receivables of US\$2.9 million; and
- (v) increase in amounts due from related companies of US\$2.8 million.

REVIEW OF STATEMENT OF FINANCIAL POSITION (CONT'D)

Current liabilities

The Group's current liabilities amounted to US\$125.3 million as at 31 March 2017. The increase in current liabilities from US\$122.7 million as at 31 December 2016 was mainly due to the:

- (i) increase in trade payables of US\$4.6 million;
- (ii) increase in other liabilities of US\$1.3 million;
- (iii) increase in amounts due to related companies of US\$1.0 million; and
- (iv) partially offset by decrease in current bank loans of US\$4.4 million;

Non-current liabilities

The Group's non-current liabilities amounted to US\$480.0 million as at 31 March 2017. Non-current liabilities decreased from US\$492.6 million as at 31 December 2016 primarily due to the:

- (i) decrease in non-current bank loans of US\$12.5 million;
- (ii) decrease in derivatives of US\$2.8 million; and
- (iii) partially offset by the increase in notes payable of US\$2.5 million.

REVIEW OF CASH FLOWS

In 1Q 2017, the Group recorded net cash outflow from operating activities of approximately US\$13.1 million, which comprises cash outflow from operating activities before working capital changes of US\$4.6 million, net working capital outflow of US\$2.8 million, net interest paid of US\$5.8 million, and taxes refunded of US\$0.1 million.

The net cash outflow from changes in working capital of US\$2.8 million was mainly due to the:-

- (i) increase in trade and other receivables of US\$5.1 million;
- (ii) increase in amounts due from/to related companies of US\$4.6 million; and
- (iii) partially offset by increase in trade payables and other liabilities of US\$6.9 million.

Net cash inflow from investing activities was approximately US\$4.8 million, which was mainly due to:-

- (i) proceeds from sale of property, plant and equipment of US\$4.8 million;
- (ii) proceeds from sale of assets held for sale of US\$1.6 million; and
- (iii) partially offset by additions to property, plant and equipment of US\$1.6 million.

Net cash outflow from financing activities was approximately US\$18.8 million, which was mainly due to:-

- (i) repayment of bank loans of US\$30.6 million;
- (ii) cash and cash equivalents pledged as securities of US\$0.1 million; and
- (iii) partially offset by proceeds from bank loans of US\$12.0 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.**

The longer term outlook for the oil and gas sector has turned for the better as oil production cuts by OPEC and certain non-OPEC producers are widely expected to balance supply and demand by the second half of 2017. Global exploration and production spending is also expected to increase in 2017 as compared to the last 2 years. The lag effect of these positive developments will still see the Group operating in challenging market conditions for the next 12 months.

Improving the Group's liquidity position remains a key focus. We will continue to rightsize our fleet and rationalise costs while pressing on with our marketing efforts. The financial assistance schemes announced by the Government in November 2016 provide assurance that financing options are available to offshore marine companies affected by this downturn. In addition, the Group will continue to work closely with its lenders to ensure that its financial obligations are sustainable under current market conditions.

The Group remains focused in executing its strategies and will work closely with its financial and business partners to ride through this downturn.

- 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 confirms to the best of its knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the three months ended 31 March 2017 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 May 2017