



**PACIFIC RADIANCE LTD**  
**Company Registration No. 200609894C**

**Unaudited Third Quarter ("3Q 2017") Financial Statement and Dividend Announcement  
For the Nine Month Ended 30 September 2017 ("9M 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			Group		
	3Q 2017	3Q 2016	+ / (-)	9M 2017	9M 2016	+ / (-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Revenue</b>	17,217	18,923	(9)	48,693	57,299	(15)
Cost of sales	(18,791)	(27,128)	(31)	(58,240)	(74,547)	(22)
<b>Gross profit</b>	(1,574)	(8,205)	(81)	(9,547)	(17,248)	(45)
Other operating income	2,394	2,338	2	7,220	7,783	(7)
General and administrative expenses	(4,283)	(5,097)	(16)	(15,224)	(16,429)	(7)
Other operating expenses	(3,859)	(2,300)	68	(4,840)	(44,941)	(89)
Finance costs	(5,082)	(4,379)	16	(14,195)	(11,625)	22
Share of results of joint ventures	1,304	773	69	2,625	(2,996)	NM
Share of results of associates	(1,043)	-	NM	(1,043)	-	NM
<b>Loss before taxation</b>	(12,143)	(16,870)	(28)	(35,004)	(85,456)	(59)
Taxation	(1,223)	(1,244)	(2)	(2,100)	(2,370)	(11)
<b>Loss for the period</b>	(13,366)	(18,114)	(26)	(37,104)	(87,826)	(58)
<b>Other comprehensive income / (loss):</b>						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation	(524)	117	NM	(1,213)	(158)	NM
Net fair value changes on cash flow hedges	(591)	51	NM	379	477	(21)
Share of other comprehensive income / (loss) of a joint venture	(100)	112	NM	177	286	(38)
<b>Other comprehensive (loss) / income for the period, net of tax</b>	(1,215)	280	NM	(657)	605	NM
<b>Total comprehensive loss for the period</b>	(14,581)	(17,834)	(18)	(37,761)	(87,221)	(57)
<b>Loss for the period attributable to:</b>						
Equity holders of the Company	(13,158)	(17,970)	(27)	(35,959)	(82,456)	(56)
Non-controlling interests	(208)	(144)	44	(1,145)	(5,370)	(79)
	(13,366)	(18,114)	(26)	(37,104)	(87,826)	(58)
<b>Total comprehensive loss for the period attributable to:</b>						
Equity holders of the Company	(14,372)	(17,690)	(19)	(36,614)	(81,871)	(55)
Non-controlling interests	(209)	(144)	45	(1,147)	(5,350)	(79)
	(14,581)	(17,834)	(18)	(37,761)	(87,221)	(57)

NM: Not Meaningful

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

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

	<b>Group</b>		<b>Group</b>	
	<b>3Q 2017</b>	<b>3Q 2016</b>	<b>9M 2017</b>	<b>9M 2016</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation of property, plant and equipment (included in cost of sales)	7,303	7,695	22,066	21,361
Depreciation of property, plant and equipment (included in general and administrative expenses)	256	483	821	1,493
Impairment of doubtful receivables, net	14	2,009	400	11,373
Loss on sale of property, plant and equipment, net	1,031	10	1,570	7
Loss on disposal of assets held for sale	–	–	180	–
Loss on disposal of club membership	–	–	125	–
Impairment of property, plant and equipment	–	–	–	32,906
Net fair value (gain)/loss on derivatives	(3)	(309)	(183)	382
Exchange loss/(gain)	423	279	(212)	(499)
Net gain on acquisition of a subsidiary	–	–	–	(793)
Net (gain)/loss on disposal of subsidiaries	(437)	–	(437)	137
Loss on dilution of interest in a joint venture	2,392	–	2,392	–
Interest income	(1,301)	(1,871)	(5,234)	(6,038)
Net gain on disposal of investment securities	–	–	–	(25)
Net fair value (gain)/loss on investment securities	(9)	(14)	22	(37)
Realisation of deferred gain on sale of vessels to joint ventures (included in share of results of joint ventures)	(139)	(187)	(501)	(582)
Realisation of deferred gain on sale of vessels to associates (included in share of results of associates)	(41)	–	(41)	–
Provision for tax in respect of prior years	(2)	137	140	137

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 2017 US\$'000	As at 31 Dec 2016 US\$'000	As at 30 Sep 2017 US\$'000	As at 31 Dec 2016 US\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	589,967	613,772	–	–
Investment in subsidiaries	–	–	48,848	48,833
Investment in associates	31,303	–	–	–
Investment in joint ventures	29,591	60,346	–	–
Club memberships	156	296	–	–
Amount due from related companies	59,564	62,143	–	–
Derivatives	–	12	–	–
	710,581	736,569	48,848	48,833
<b>Current assets</b>				
Inventories	1,091	873	–	–
Trade receivables	18,639	10,359	–	–
Other receivables	16,100	14,884	58	35
Amounts due from related companies	96,817	89,177	384,122	373,627
Investment securities	53	69	–	–
Derivatives	37	–	–	–
Assets held for sale	–	1,768	–	–
Cash and bank balances	36,832	50,628	3,886	4,126
	169,569	167,758	388,066	377,788
<b>Total assets</b>	<b>880,150</b>	<b>904,327</b>	<b>436,914</b>	<b>426,621</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	17,950	13,330	–	–
Other liabilities	54,687	53,841	497	2,190
Amounts due to related companies	6,330	3,977	187,928	176,682
Bank loans	58,678	49,029	–	–
Notes payable	73,735	–	73,735	–
Provision for taxation	1,480	2,304	–	227
Finance lease obligations	278	206	–	–
Derivatives	9	–	–	–
	213,147	122,687	262,160	179,099
<b>Non-current liabilities</b>				
Other liabilities	11,856	12,276	–	–
Provisions	235	220	–	–
Deferred capital grant	1,418	1,418	–	–
Bank loans	393,443	397,016	–	–
Notes payable	–	67,806	–	67,806
Deferred tax liabilities	2,049	1,319	–	–
Finance lease obligations	505	560	–	–
Derivatives	6,714	12,005	6,678	11,802
	416,220	492,620	6,678	79,608
<b>Total liabilities</b>	<b>629,367</b>	<b>615,307</b>	<b>268,838</b>	<b>258,707</b>
<b>Net assets</b>	<b>250,783</b>	<b>289,020</b>	<b>168,076</b>	<b>167,914</b>

**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).**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30 Sep 2017</b>	<b>As at 31 Dec 2016</b>	<b>As at 30 Sep 2017</b>	<b>As at 31 Dec 2016</b>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Equity attributable to equity holders of the Company</b>				
Share capital	162,854	162,854	162,854	162,854
Treasury shares	(2,530)	(2,530)	(2,530)	(2,530)
Retained earnings	106,705	142,663	7,742	7,978
Other reserves	(12,817)	(12,179)	10	(388)
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Non-controlling interests	254,212	290,808	168,076	167,914
	(3,429)	(1,788)	–	–
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<b>Total equity</b>	<b>250,783</b>	<b>289,020</b>	<b>168,076</b>	<b>167,914</b>
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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**

<b>Group</b> <b>As at 30 Sep 2017</b>		<b>Group</b> <b>As at 31 Dec 2016</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
US\$'000	US\$'000	US\$'000	US\$'000
58,956	73,735	49,235	-

**Amount repayable after one year**

<b>Group</b> <b>As at 30 Sep 2017</b>		<b>Group</b> <b>As at 31 Dec 2016</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
US\$'000	US\$'000	US\$'000	US\$'000
393,948	-	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\$472.3 million and US\$486.2 million as at 30 September 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\$60.0 million and US\$59.2 million as at 30 September 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\$6.8 million and US\$8.3 million as at 30 September 2017 and 31 December 2016 respectively.

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

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 2017 US\$'000	3Q 2016 US\$'000
<b>Cash flows from operating activities:</b>		
Loss before taxation	(12,143)	(16,870)
Adjustments for:		
Depreciation of property, plant and equipment	7,559	8,178
Finance costs	5,082	4,379
Interest income	(1,301)	(1,871)
Share of results of joint ventures	(1,304)	(773)
Share of result of associates	1,043	–
Loss on sale of property, plant and equipment, net	1,031	10
Impairment of doubtful receivables, net	14	2,009
Net gain on assets sold under hire purchase	(148)	–
Loss on dilution of a joint venture	2,392	–
Net gain on disposal of subsidiary	(437)	–
Net fair value gain on derivatives	(3)	(309)
Net fair value gain on investment securities	(9)	(14)
Share-based payment expense	9	6
Exchange difference	136	(895)
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<b>Operating cash flows before changes in working capital</b>	1,921	(6,150)
Decrease in trade and other receivables	3,990	727
Increase in amounts due from related companies	(893)	(1,825)
(Increase)/decrease in inventories	(348)	16
(Decrease)/increase in trade payables and other liabilities	(1,339)	1,871
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<b>Cash from/(used) in operations</b>	3,331	(5,361)
Taxes paid	(1,400)	(675)
Interest paid	(3,168)	(5,565)
Interest received	395	31
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<b>Net cash flows used in operating activities</b>	(842)	(11,570)
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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 2017 US\$'000	3Q 2016 US\$'000
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(39)	(5,922)
Proceeds from sale of property, plant and equipment	3,393	1,762
Investment in an associate	(2,000)	-
Loans repaid by related companies, net	1,694	1,302
<b>Net cash flows generated by/(used in) investing activities</b>	3,048	(2,858)
<b>Cash flows from financing activities:</b>		
Repayment of finance lease obligations	(48)	(28)
Proceeds from bank loans	506	32,304
Repayment of bank loans	(2,194)	(18,098)
Purchase of treasury shares	-	(403)
Cash and bank balances released from/(pledged as) securities	1,659	(3,169)
<b>Net cash flows (used in)/generated from financing activities</b>	(77)	10,606
Net increase/(decrease) in cash and bank balances	2,129	(3,822)
Effect of exchange rate changes on cash and bank balances	59	52
Cash and bank balances at beginning of period	27,811	23,379
<b>Cash and bank balances at end of the period</b>	29,999	19,609
<b>Breakdown of cash and bank balances at end of the period:</b>		
Cash and bank balances as per balance sheet	36,832	29,455
Cash pledged	(6,833)	(9,846)
	29,999	19,609

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
<b><u>The Group</u></b>												
Balance at 1 July 2017	162,854	(2,530)	119,863	(11,612)	(9,267)	192	566	76	(3,179)	268,575	(3,220)	265,355
Loss for the period	–	–	(13,158)	–	–	–	–	–	–	(13,158)	(208)	(13,366)
<u>Other comprehensive income</u>												
- Foreign currency translation	–	–	–	(523)	(523)	–	–	–	–	(523)	(1)	(524)
- Net fair value changes on cash flow hedges	–	–	–	(591)	–	–	(591)	–	–	(591)	–	(591)
- Reclassification to profit or loss on dilution of interest in a joint venture	–	–	–	(15)	–	–	(12)	(3)	–	(15)	–	(15)
- Share of other comprehensive income of an associate	–	–	–	(85)	–	–	(85)	–	–	(85)	–	(85)
Total comprehensive loss for period	–	–	(13,158)	(1,214)	(523)	–	(688)	(3)	–	(14,372)	(209)	(14,581)
<u>Contributions by and distributions to equity holders</u>												
- Grant of equity-settled share performance awards to employees	–	–	–	9	–	9	–	–	–	9	–	9
Total contributions by and distributions to equity holders	–	–	–	9	–	9	–	–	–	9	–	9
Balance at 30 September 2017	162,854	(2,530)	106,705	(12,817)	(9,790)	201	(122)	73	(3,179)	254,212	(3,429)	250,783



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	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
<b>The Group</b>											
Balance at 1 July 2016	162,854	(2,128)	196,635	(14,760)	(9,585)	172	(2,168)	(3,179)	342,601	(1,278)	341,323
Loss for the period	–	–	(17,970)	–	–	–	–	–	(17,970)	(144)	(18,114)
<u>Other comprehensive income</u>											
- Foreign currency translation	–	–	–	117	117	–	–	–	117	–	117
- Net fair value changes on cash flow hedges	–	–	–	51	–	–	51	–	51	–	51
- Share of other comprehensive income of a joint venture	–	–	–	112	–	–	112	–	112	–	112
Total comprehensive (loss)/income for period	–	–	(17,970)	280	117	–	163	–	(17,690)	(144)	(17,834)
<u>Contributions by and distributions to equity holders</u>											
- Grant of equity-settled share performance awards to employees	–	–	–	6	–	6	–	–	6	–	6
- Acquisition of treasury shares	–	(402)	–	–	–	–	–	–	(402)	–	(402)
Total contributions by and distributions to equity holders	–	(402)	–	6	–	6	–	–	(396)	–	(396)
Balance at 30 September 2016	162,854	(2,530)	178,665	(14,474)	(9,468)	178	(2,005)	(3,179)	324,515	(1,422)	323,093

**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
<b>The Company</b>							
Balance at 1 July 2017	162,854	(2,530)	7,839	592	192	400	168,755
Loss for the period	-	-	(97)	-	-	-	(97)
<u>Other comprehensive income:</u>							
- Net fair value changes on cash flow hedges	-	-	-	(591)	-	(591)	(591)
Total comprehensive income for the period	-	-	(97)	(591)	-	(591)	(688)
<u>Contributions by and distributions to equity holders:</u>							
- Grant of equity-settled performance share awards to employees	-	-	-	9	9	-	9
Total contributions by and distributions to equity holders	-	-	-	9	9	-	9
Balance at 30 September 2017	162,854	(2,530)	7,742	10	201	(191)	168,076
Balance at 1 July 2016	162,854	(2,128)	12,804	(1,729)	172	(1,901)	171,801
Loss for the period	-	-	(428)	-	-	-	(428)
<u>Other comprehensive income:</u>							
- Net fair value changes on cash flow hedges	-	-	-	51	-	51	51
Total comprehensive (loss)/income for the period	-	-	(428)	51	-	51	(377)
<u>Contributions by and distributions to equity holders:</u>							
- Grant of equity-settled performance share awards to employees	-	-	-	6	6	-	6
- Acquisition of treasury shares	-	(402)	-	-	-	-	(402)
Total contributions by and distributions to equity holders	-	(402)	-	6	6	-	(396)
Balance at 30 September 2016	162,854	(2,530)	12,376	(1,672)	178	(1,850)	171,028

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 third quarter of 2017.

As at 30 September 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.

The Company has no subsidiary holdings as at 30 September 2017 and 31 December 2016.

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

The Company's total issued shares excluding treasury shares is 713,512,013 as at 30 September 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 year	: Nil
As at 30 September 2017	: 12,243,000 shares

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

The Company has no subsidiary holdings as at 30 September 2017 and 31 December 2016. There was no sales, transfers, cancellation and/or use of subsidiary holdings for the period July to September 2017.

- 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.**

	<b>Group</b>	
	<b>9M 2017</b>	<b>9M 2016</b>
Loss attributable to equity holders of the Company (US\$'000)	<u>(35,959)</u>	<u>(82,456)</u>
Weighted average ordinary shares for calculation ('000):		
- applicable to basic earnings per share	713,512	715,555
- based on a fully diluted basis	<u>713,512</u>	<u>715,555</u>
Earnings per ordinary share ("EPS") (US cents)		
(a) Based on weighted average number of ordinary shares on issue	(5.0)	(11.5)
(b) On a fully diluted basis	<u>(5.0)</u>	<u>(11.5)</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.**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30 Sep 17</b>	<b>As at 31 Dec 16</b>	<b>As at 30 Sep 17</b>	<b>As at 31 Dec 16</b>
Net asset value (US\$'000)	254,212	290,808	168,076	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)	35.6	40.8	23.6	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**

### **Revenue**

#### **9 months ended 30 September 2017 ("9M 2017") vs 9 months ended 30 September 2016 ("9M 2016")**

Revenue decreased by approximately US\$8.6 million or 15% from US\$57.3 million in 9M 2016 to US\$48.7 million in 9M 2017.

The decrease was mainly attributable to the decline in revenue of our Offshore Support Services Business of US\$17.7 million or 36% from US\$49.5 million in 9M 2016 to US\$31.8 million in 9M 2017 due to lower utilisation and lower charter rates.

This was partially offset by an increase in revenue from our Subsea Business of US\$4.2 million from US\$7.4 million in 9M 2016 to US\$11.6 million in 9M 2017 and revenue from our Shipyard Business of US\$5.3 million in 9M 2017, which commenced operation in 3Q 2016.

#### **3 months ended 30 September 2017 ("3Q 2017") vs 3 months ended 30 September 2016 ("3Q 2016")**

Revenue decreased by approximately US\$1.7 million or 9% from US\$18.9 million in 3Q 2016 to US\$17.2 million in 3Q 2017.

The decrease was mainly attributable to the decline in revenue of the Subsea Business of US\$2.4 million from US\$5.3 million in 3Q 2016 to US\$2.9 million in 3Q 2017 and Offshore Support Services Business of US\$1.0 million from US\$13.5 million in 3Q 2016 to US\$12.5 million in 3Q 2017. This was mainly due to lower utilisation and lower charter rates.

This was partially offset by an increase in revenue from our Shipyard Business of US\$1.7 million in 3Q 2017, which commenced operation in 3Q 2016.

### **Gross loss**

#### **9 months ended 30 September 2017 ("9M 2017") vs 9 months ended 30 September 2016 ("9M 2016")**

Gross loss decreased by approximately US\$7.7 million or 45% from US\$17.2 million in 9M 2016 to US\$9.5 million in 9M 2017.

The decrease was mainly due to improved performances from the Subsea Business and contribution from the Shipyard Business in 9M 2017, which commenced operation in 3Q 2016.

This was partially offset by weaker performance from the Offshore Support Services Business.

#### **3 months ended 30 September 2017 ("3Q 2017") vs 3 months ended 30 September 2016 ("3Q 2016")**

Gross loss decreased by approximately US\$6.6 million or 81% from US\$8.2 million in 3Q 2016 to US\$1.6 million in 3Q 2017.

The overall decrease in gross loss was mainly attributable to improved performance from all business divisions in 3Q 2017.

## **REVIEW OF GROUP PERFORMANCE (CONT'D)**

### **Other operating income**

#### **9 months ended 30 September 2017 ("9M 2017") vs 9 months ended 30 September 2016 ("9M 2016")**

Other operating income decreased by approximately US\$0.6 million or 7% from US\$7.8 million in 9M 2016 to US\$7.2 million in 9M 2017. The decrease was mainly attributed to absence of net gain on acquisition of a subsidiary of US\$0.8 million recorded in 9M 2016.

#### **3 months ended 30 September 2017 ("3Q 2017") vs 3 months ended 30 September 2016 ("3Q 2016")**

Other operating income increased by approximately US\$0.1 million or 2% from US\$2.3 million in 3Q 2016 to US\$2.4 million in 3Q 2017. The increase was mainly due to increase in foreign exchange gain.

### **General and administrative expenses**

#### **9 months ended 30 September 2017 ("9M 2017") vs 9 months ended 30 September 2016 ("9M 2016")**

General and administrative expenses decreased by approximately US\$1.2 million or 7% from US\$16.4 million in 9M 2016 to US\$15.2 million in 9M 2017, as part of the Group's continuing cost rationalisation exercise.

#### **3 months ended 30 September 2017 ("3Q 2017") vs 3 months ended 30 September 2016 ("3Q 2016")**

General and administrative expenses decreased by approximately US\$0.8 million or 16% from US\$5.1 million in 3Q 2016 to US\$4.3 million in 3Q 2017, as part of the Group's continuing cost rationalisation exercise.

### **Other operating expenses**

#### **9 months ended 30 September 2017 ("9M 2017") vs 9 months ended 30 September 2016 ("9M 2016")**

Other operating expenses decreased by approximately US\$40.1 million or 89% from US\$44.9 million in 9M 2016 to US\$4.8 million in 9M 2017.

The decrease was mainly due to impairment of property, plant and equipment of US\$32.9 million in 9M 2016 (of which US\$4.8 million was attributable to non-controlling interests) and lower impairment of doubtful receivables of US\$11.0 million from US\$11.4 million in 9M 2016 to US\$0.4 million in 9M 2017.

#### **3 months ended 30 September 2017 ("3Q 2017") vs 3 months ended 30 September 2016 ("3Q 2016")**

Other operating expenses increased by approximately US\$1.6 million or 68% from US\$2.3 million in 3Q 2016 to US\$3.9 million in 3Q 2017. The increase was mainly due to the loss on dilution of PT Logindo Samudramakmur Tbk ("PT Logindo") of US\$2.4 million in 3Q 2017 and higher loss on disposal of property, plant and equipment of US\$1.0 million. This was partially offset by lower impairment of doubtful receivables of US\$2.0 million.

### **Finance costs**

#### **9 months ended 30 September 2017 ("9M 2017") vs 9 months ended 30 September 2016 ("9M 2016")**

#### **3 months ended 30 September 2017 ("3Q 2017") vs 3 months ended 30 September 2016 ("3Q 2016")**

Finance cost increased by approximately US\$2.6 million or 22% from US\$11.6 million in 9M 2016 to US\$14.2 million in 9M 2017.

Finance cost increased by approximately US\$0.7 million or 16% from US\$4.4 million in 3Q 2016 to US\$5.1 million in 3Q 2017.

The increase in finance costs for both periods was in line with an increase in bank loans outstanding from US\$437.4 million as at 30 September 2016 to US\$452.1 million as at 30 September 2017.

## **REVIEW OF GROUP PERFORMANCE (CONT'D)**

### **Share of results of joint ventures**

#### **9 months ended 30 September 2017 ("9M 2017") vs 9 months ended 30 September 2016 ("9M 2016")**

#### **3 months ended 30 September 2017 ("3Q 2017") vs 3 months ended 30 September 2016 ("3Q 2016")**

Share of results of joint ventures increased from a share of loss of US\$3.0 million in 9M 2016 to share of gain of US\$2.6 million in 9M 2017.

Share of results of joint ventures increased by approximately US\$0.5 million from US\$0.8 million in 3Q 2016 to US\$1.3 million in 3Q 2017.

The increase was mainly attributable to lower losses from PT Logindo as 9M 2016 included the loss on impairment of vessels. In addition, PT Logindo was derecognised as a joint venture of the Group following a dilution of the Group's shareholdings as a result of PT Logindo's right issue. PT Logindo was recognised as an associate in 3Q 2017.

### **Share of results of associates**

#### **9 months ended 30 September 2017 ("9M 2017") vs 9 months ended 30 September 2016 ("9M 2016")**

#### **3 months ended 30 September 2017 ("3Q 2017") vs 3 months ended 30 September 2016 ("3Q 2016")**

Share of loss of associates increased to US\$1.0 million in 9M 2017 and 3Q 2017 due to the recognition of the Group's share of losses in PT Logindo from 3Q 2017 as explained above. The losses were mainly due to lower utilisation and charter rates.

## **REVIEW OF STATEMENT OF FINANCIAL POSITION**

### **Non-current assets**

The Group's non-current assets amounted to US\$710.6 million as at 30 September 2017. The decrease in non-current assets from US\$736.6 million as at 31 December 2016 was mainly due to:

- (i) decrease in property, plant and equipment of US\$23.8 million;
- (ii) decrease in amount due from related companies of US\$2.6 million; and
- (iii) partially offset by increase in investment in joint ventures and associates of US\$0.5 million.

### **Current assets**

The Group's current assets amounted to US\$169.6 million as at 30 September 2017. The increase in current assets from US\$167.8 million as at 31 December 2016 was mainly due to:

- (i) increase in trade receivables of US\$8.3 million;
- (ii) increase in amount due from related companies of US\$7.6 million;
- (iii) increase in other receivables of US\$1.2 million;

which was partially offset by the:

- (iv) decrease in cash and bank balances of US\$13.8 million; and
- (v) decrease in assets held for sale of US\$1.8 million.

## **REVIEW OF STATEMENT OF FINANCIAL POSITION (CONT'D)**

### **Current liabilities**

The Group's current liabilities amounted to US\$213.1 million as at 30 September 2017. The increase in current liabilities from US\$122.7 million as at 31 December 2016 was mainly attributable to:

- (i) reclassification of notes payable due in August 2018 of US\$73.7 million;
- (ii) increase in current bank loans of US\$9.6 million ;
- (iii) increase in trade payables of US\$4.6 million;
- (iv) increase in amounts due to related companies of US\$2.4 million;
- (v) increase in other liabilities of US\$0.8 million; and
- (vi) partially offset by decrease in provision for taxation of US\$0.8 million.

The Group is in a negative working capital position of US\$43.6 million as at 30 September 2017. This is mainly due to reclassification of the notes payable to current liabilities. Management is closely monitoring the Group's working capital requirements and is working with its financial adviser to develop a feasible restructuring plan. The Group expects 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\$416.2 million as at 30 September 2017. Non-current liabilities decreased from US\$492.6 million as at 31 December 2016, which was mainly attributable to:

- (i) reclassification of notes payable to current liabilities;
- (ii) decrease in derivatives of US\$5.3 million; and
- (iii) decrease in non-current bank loans of US\$3.6 million.

## **REVIEW OF CASH FLOWS**

In 3Q 2017, the Group generated net cash outflows from operating activities of approximately US\$0.8 million, which comprises cash inflow from operating activities before working capital changes of US\$1.9 million, net working capital inflow of US\$1.4 million, net interest paid of US\$2.8 million and taxes paid of US\$1.4 million.

The net cash inflow from changes in working capital of US\$1.4 million was mainly due to:-

- (i) decrease in trade and other receivables of US\$4.0 million;
- (ii) partially offset by decrease in trade payables and other liabilities of US\$1.3 million;
- (iii) increase in amounts due from/to related companies of US\$0.9 million; and
- (iv) increase in inventories of US\$0.3 million.

Net cash inflow from investing activities was approximately US\$3.0 million, which was mainly due to:-

- (i) proceeds from sale of property, plant and equipment of US\$3.4 million;
- (ii) net loan repaid by related companies of US\$1.7 million; and
- (iii) partially offset by the investment made in an associate of US\$2.0 million.

Net cash outflow from financing activities was less than US\$0.1 million, which was mainly due to:-

- (i) repayment of bank loans of US\$2.2 million;
- (ii) partially offset by release of cash and cash equivalents from securities of US\$1.7 million; and
- (iii) proceeds from bank loans of US\$0.6 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.**

OPEC led pact to curb supplies till March 2018 has generally been complied with and there is expectation of a further extension of production cut beyond March 2018. Global oil demand has seen the strongest growth in two years and oil inventories have been falling. With the tightening of supply-demand balances, oil prices have been trending upwards to beyond USD60 per barrel.

Notwithstanding the improved conditions of the oil market, the offshore market is expected to remain challenging for the next 12 months as charter rates stay low. The Group will continue to step up its marketing efforts and rein in costs. Discussions with potential investors and lenders are underway to raise fresh funds and restructure existing debts so as to allow the Group to sustain its operations in the current environment and for the long term.

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 nine months ended 30 September 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**

10 November 2017