



PACC OFFSHORE SERVICES HOLDINGS LTD.

Registration Number: 200603185Z

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2016

Introduction

PACC Offshore Services Holdings Ltd. ("POSH") is one of Asia's largest operator of offshore support vessels, with a diversified fleet servicing offshore oil and gas exploration and production activities. With four distinct operating segments: Offshore Supply Vessels, Transportation and Installation, Offshore Accommodation and Harbour Services and Emergency Response, POSH's offshore support vessels perform anchor handling services, ocean towage and installation, ocean transportation, heavy-lift and offshore accommodation services as well as harbour towage and emergency response services.

As of 31 March 2016, the POSH Group (including joint ventures) operated a combined fleet of 111 vessels with another 15 vessels on order, comprising Anchor Handling Tug Supply Vessels, Anchor Handling Tugs, Platform Supply Vessels, Light Construction Vessels, Accommodation Vessels and Harbour Tugs.

The POSH fleet operates worldwide, serving offshore oilfields in Asia, Australasia, Africa, Middle-East and Latin America, providing vessels and services for projects involving many of the world's major oil companies, as well as many large international offshore contractors.

The Company's shares were listed and quoted on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 25 April 2014.

For more information on POSH, please visit www.posh.com.sg.

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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		
	3 Months Ended		
	31-Mar 2016 US\$'000	31-Mar 2015 US\$'000	% Change
Revenue	58,697	57,585	2%
Cost of sales	(44,652)	(49,591)	-10%
Gross profit	14,045	7,994	76%
Other income	1,765	3,330	-47%
Distribution costs	(188)	(438)	-57%
General and administrative expenses	(12,199)	(6,829)	79%
Finance costs	(2,909)	(2,567)	13%
Share of joint ventures' result	4,856	(1,320)	NM
Profit before taxation	5,370	170	NM
Taxation	(987)	(149)	562%
Net profit for the period	4,383	21	NM
Profit attributable to:			
Equity holders of the Company	4,451	21	NM
Non-controlling interests	(68)	-	NM
	4,383	21	NM

NM denotes "Not Meaningful"

1(a)(ii). *Profit before taxation is arrived at after (charging)/crediting the following significant items.*

	Group	
	3 Months Ended	
	31-Mar 2016 US\$'000	31-Mar 2015 US\$'000
Amortisation of intangible assets	(11)	(15)
Depreciation of fixed assets	(15,798)	(12,821)
Exchange gain	239	590
Fixed assets written-off	(270)	-
Gain on disposal of fixed assets	253	1,264
Interest income	659	1,019
Interest expense	(2,909)	(2,567)
Allowance for doubtful debts	(4,715)	-

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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	
	31-Mar-16 US\$'000	31-Dec-15 US\$'000	31-Mar-16 US\$'000	31-Dec-15 US\$'000
Non-current assets				
Goodwill	168,303	168,303	-	-
Fixed assets	1,295,634	1,278,147	45,873	46,861
Intangible assets	33	29	-	1
Due from joint ventures	21,668	22,871	21,668	22,871
Investment in subsidiaries	-	-	356,862	356,662
Investment in joint ventures	82,321	76,734	48,317	48,317
Receivables and other non-current assets	10,833	11,289	-	-
	<u>1,578,792</u>	<u>1,557,373</u>	<u>472,720</u>	<u>474,712</u>
Current assets				
Consumables	1,570	805	-	-
Receivables and other current assets	84,497	93,761	4,319	4,386
Due from subsidiaries, joint ventures and related companies	68,675	66,101	1,207,496	1,197,635
Cash and cash equivalents	13,768	13,779	2,681	2,003
	<u>168,510</u>	<u>174,446</u>	<u>1,214,496</u>	<u>1,204,024</u>
Fixed assets classified as held for sale	1,791	1,791	-	-
	<u>170,301</u>	<u>176,237</u>	<u>1,214,496</u>	<u>1,204,024</u>
Total assets	<u>1,749,093</u>	<u>1,733,610</u>	<u>1,687,216</u>	<u>1,678,736</u>
Non-current liabilities				
Deferred tax liabilities	789	138	-	-
	<u>789</u>	<u>138</u>	<u>-</u>	<u>-</u>
Current liabilities				
Payables and accruals	65,733	69,247	17,019	19,463
Advances received from customers	3,400	3,400	-	-
Due to subsidiaries, joint ventures and related companies	32,515	36,130	49,094	53,310
Due to a holding company	733	584	733	584
Bank borrowings	577,835	559,730	577,835	559,730
Provision for taxation	2,746	3,338	2,097	2,038
	<u>682,962</u>	<u>672,429</u>	<u>646,778</u>	<u>635,125</u>
Total liabilities	<u>683,751</u>	<u>672,567</u>	<u>646,778</u>	<u>635,125</u>
Equity				
Share capital	827,201	827,201	827,201	827,201
Treasury shares	(1,820)	(1,669)	(1,820)	(1,669)
Retained profits	239,664	235,213	215,057	218,079
Other reserves	298	298	-	-
	<u>1,065,343</u>	<u>1,061,043</u>	<u>1,040,438</u>	<u>1,043,611</u>
Non-controlling interest	(1)	-	-	-
Total equity	<u>1,065,342</u>	<u>1,061,043</u>	<u>1,040,438</u>	<u>1,043,611</u>
Total liabilities and equity	<u>1,749,093</u>	<u>1,733,610</u>	<u>1,687,216</u>	<u>1,678,736</u>

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

	As at 31-Mar-2016		As at 31-Dec-2015	
	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000	Secured US\$'000
(i) Amount payable in one year or less, or on demand	577,835	-	559,730	-
(ii) Amount repayable after one year	-	-	-	-

The Group has renewed and secured new banking facilities. For further details, please refer to page 9 on financing.

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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	
	3 Months Ended	
	31-Mar-16	31-Mar-15
	US\$'000	US\$'000
Cash flows from operating activities		
Profit before taxation	5,370	170
Adjustments for:		
Amortisation of prepayments	91	133
Amortisation of intangible assets	11	15
Depreciation of fixed assets	15,798	12,821
Fixed assets written off	270	-
Allowance for doubtful debts-trade	4,715	-
Gain on disposal of fixed assets	(253)	(1,264)
Share of joint ventures' results	(4,856)	1,320
Interest expense	2,909	2,567
Interest income	(659)	(1,019)
Unrealised exchange (gain)/loss	(177)	5
Operating cash flows before working capital changes	23,219	14,748
Changes in working capital		
(Increase)/decrease in consumables	(765)	650
Decrease/(increase) in receivables and other assets	4,713	(29,332)
Decrease in payables and accruals	(2,915)	(1,499)
Cash generated from/(used in) operations	24,252	(15,433)
Interest paid	(3,508)	(2,364)
Interest received	530	878
Income taxes paid	(928)	(2,240)
Net cash generated from/(used in) operating activities	20,346	(19,159)
Cash flows from investing activities		
Acquisition of intangible assets	(15)	-
Acquisition of fixed assets	(33,749)	(148,952)
Proceeds from disposal of fixed assets	779	-
Decrease in due from joint ventures	921	106,661
Net cash used in investing activities	(32,064)	(42,291)
Cash flows from financing activities		
Capital injection from non-controlling interest of a subsidiary	67	-
Purchase of treasury shares	(151)	-
Proceeds from bank borrowings	18,105	61,295
Decrease in due to joint ventures and related companies	(6,640)	(3,952)
Increase in due to holding company	149	2,862
Net cash generated from financing activities	11,530	60,205
Net decrease in cash and cash equivalents	(188)	(1,245)
Effect of exchange rate changes on cash and cash equivalents	177	(5)
Cash and cash equivalents at beginning of period	13,779	12,168
Cash and cash equivalents at end of period	13,768	10,918

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1(d)(i). A statement (for the issuer and group) showing either (i) all the 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.

The Group	Attributable to Shareholders of the Company				Non-controlling interest US\$'000	Total US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Retained profits US\$'000	Exchange reserves US\$'000		
Balance at 1 Jan 2016	827,201	(1,669)	235,213	298	-	1,061,043
Purchase of treasury shares	-	(151)	-	-	-	(151)
Incorporation of a subsidiary	-	-	-	-	67	67
Total comprehensive loss for the period	-	-	4,451	-	(68)	4,383
Balance at 31 Mar 2016	827,201	(1,820)	239,664	298	(1)	1,065,342
Balance at 1 Jan 2015	827,201	-	386,265	298	-	1,213,764
Total comprehensive income for the period	-	-	21	-	-	21
Balance at 31 Mar 2015	827,201	-	386,286	298	-	1,213,785
The Company	Share capital US\$'000	Treasury shares US\$'000	Retained profits US\$'000	Total US\$'000		
Balance at 1 Jan 2016	827,201	(1,669)	218,079	1,043,611		
Purchase of treasury shares	-	(151)	-	(151)		
Total comprehensive loss for the period	-	-	(3,022)	(3,022)		
Balance at 31 Mar 2016	827,201	(1,820)	215,057	1,040,438		
Balance at 1 Jan 2015	827,201	-	293,522	1,120,723		
Total comprehensive income for the period	-	-	350	350		
Balance at 31 Mar 2015	827,201	-	293,872	1,121,073		

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 issue of equity securities, issue of shares for cash or 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 end of the current financial period reported on and as at end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital since the end of the previous period reported on.

During the three months ended 31 March 2016, the Company purchased 720,300 (31 March 2015: nil) treasury shares.

Movement in the Company's treasury shares during the three months ended 31 March 2016 was as follows:

	Number of shares
Balance as at 1 January 2016	7,294,600
Purchase of treasury shares	720,300
Balance as at 31 March 2016	<u>8,014,900</u>

As at 31 March 2016, the 8,014,900 (31 March 2015: nil) treasury shares held by the Company represents 0.4% (31 March 2015: nil) of the total number of issued shares (excluding treasury shares).

There was no outstanding convertible share as at 31 March 2016 (31 March 2015: nil).

On 22 January 2016, the Company had announced share awards granted under the Company's Performance Share Plan in accordance with Rule 704(29) of the Listing Manual. For further details, please refer to the Company's announcement dated 22 January 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.

Total number of issued ordinary shares (excluding treasury shares) as at 31 March 2016 were 1,811,985,100 (31 March 2015: 1,820,000,000).

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.

None.

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

The financial statements for the period under review have not been audited or reviewed by the auditor.

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 accounting policies and methods of computation in the financial statements for the current reporting period consistent with those of the audited financial statements for the year ended 31 December 2015.

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 reason 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 did not result in significant changes to the Group's and the Company's accounting policy.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding year, after deducting any provision for the preference dividends; (a) Based on weighted average number of shares and (b) On a fully diluted basis (detailing any adjustments made to the earnings)

	Group	
	3 Months Ended	
	31-Mar-16	31-Mar-15
Net profit attributable to equity holders of the Company (US\$'000)	4,451	21
Weighted average ordinary shares for calculation ('000)		
- Basic	1,812,100	1,820,000
- On fully diluted basis	1,812,100	1,820,000
Earnings per ordinary shares ("EPS") (US cents)		
(i) Based on weighted average number of ordinary shares issued	0.246	0.001
(ii) On fully diluted basis	0.246	0.001

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-16	As at 31-Dec-15	As at 31-Mar-16	As at 31-Dec-15
Net asset value (US\$'000)	1,065,343	1,061,043	1,040,438	1,043,611
Total number of ordinary shares issued ('000)	1,811,985	1,812,705	1,811,985	1,812,705
Net asset value per ordinary shares (US cents)	58.79	58.53	57.42	57.57

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.**

Income Statement

1st Quarter 2016 ("Q1 FY16") vs 1st Quarter 2015 ("Q1 FY15")

	Revenue			Gross Profit			Gross Profit Margin	
	Q1 16 US\$ '000	Q1 15 US\$ '000	% Change	Q1 16 US\$ '000	Q1 15 US\$ '000	% Change	Q1 16 %	Q1 15 %
Offshore Supply Vessels ("OSV")	20,985	32,755	-36%	(460)	3,899	NM	-2%	12%
Offshore Accommodation ("OA")	28,433	13,120	117%	12,297	1,613	662%	43%	12%
Transportation & Installation ("T&I")	4,785	6,041	-21%	1,040	1,540	-32%	22%	25%
Harbour Services and Emergency Response ("HSER")	4,494	5,669	-21%	1,168	942	24%	26%	17%
	<u>58,697</u>	<u>57,585</u>	2%	<u>14,045</u>	<u>7,994</u>	76%	24%	14%

In Q1 FY16, the Group registered revenue of US\$58.7 million or a 2% increase from US\$57.6 million in Q1 FY15. The increase was mainly due to higher contribution of US\$15.3 million from the OA segment, offset by lower contributions from other segments resulting from lower charter rates and utilisation.

OSV

OSV segment revenue decreased by US\$11.8 million or 36% to US\$21.0 million (Q1 FY15: US\$32.8 million) due to lower charter rates and utilisation of 67% (Q1 FY15: 82%). Correspondingly, the Group incurred a gross loss of US\$0.5 million as compared to gross profit of US\$3.9 million in Q1 FY15.

OA

OA segment revenue increased by US\$15.3 million or 117% to US\$28.4 million (Q1 FY15: US\$13.1 million) mainly due to full employment of POSH Xanadu, a 750-pax semi-submersible accommodation vessel ("SSAV") and three new 238-pax light construction vessels ("LCV") partly offset by lower charter rates and utilisation of other vessels. Gross profit increased by US\$10.7 million or 662% to US\$12.3 million (Q1 FY15: US\$1.6 million).

T&I

T&I segment revenue decreased by US\$1.2 million or 21% to US\$4.8 million (Q1 FY15: US\$6.0 million) mainly due to lower charter rates and utilisation. Gross profit correspondingly decreased by US\$0.5 million or 32% to US\$1.0 million (Q1 FY15: US\$1.5 million).

HSER

HSER revenue decreased by US\$1.2 million or 21% to US\$4.5 million (Q1 FY15: US\$5.7 million) mainly due to lower salvage revenue in Q1 FY16. This was partly offset by new charters from harbour services which also contributed to the higher gross profit of US\$0.3 million or 24% to US\$1.2 million (Q1 FY15: US\$0.9 million).

General & Administrative expenses and Other Income

General and administrative expenses increased by US\$5.4 million or 79% to US\$12.2 million (Q1 FY15: US\$6.8 million) mainly due to US\$4.7 million allowance for doubtful debts.

Other income in Q1 FY16 was US\$1.8 million as compared to US\$3.3 million in Q1 FY15, mainly due to lower gain from vessel disposals.

Income Statement (cont'd)

1st Quarter 2016 ("Q1 FY16") vs 1st Quarter 2015 ("Q1 FY15")

The Group's share of results from joint ventures ("JVs") registered a profit of US\$4.9 million in Q1 FY16 as compared to a loss of US\$1.3 million in Q1 FY15. This was mainly due to better performance of POSH Terasea.

The Group recorded a net profit attributable to shareholders of US\$4.5 million in Q1 FY16 as compared to US\$0.02 million in Q1 FY15.

Statement of Financial Position

The Group's net asset was US\$1,065.3 million as at 31 March 2016.

Fixed assets increased by US\$17.5 million mainly due to payment for vessels under construction. Receivables and other current assets decreased to US\$84.5 million mainly due to lower billings in Q1 FY16 and allowance for doubtful debt of US\$4.7 million.

The Group's net current liability of US\$512.7 million was mainly due to US\$300.0 million term loans with repayment due in July 2016. In Q1 FY16, the Group has renewed and secured additional financing facilities of US\$812.0 million, part of which will be used to refinance the current loans. These facilities have various tenures of up to 7 years.

Statement of Cash Flows

The Group generated net operating cash flow of US\$20.3 million in Q1 FY16 as compared to net cash used in operating activities of US\$19.2 million in Q1 FY15, in line with the improved operating performance during the period as compared to Q1 FY15.

Net cash used in investing activities of US\$32.1 million in Q1 FY16 was mainly due to payment of fixed assets.

The Group generated net cash from financing activities of US\$11.5 million in Q1 FY16 was mainly due to bank borrowings during the period.

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

None.

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 current oversupply situation and continued weakness in crude oil prices will have an unfavourable impact on the offshore oil and gas services sector. Consequently, the pressure on charter rates and vessel utilisation is expected to have a negative impact on the Group's financial performance for the year.

The Group will continue to focus on vessel utilisation, reduce cost and seek opportunities in new markets.

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

Not Applicable

(c) Date payable

Not Applicable

(d) Book closure date

Not Applicable

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

No dividend has been declared or recommended for the current period reported on.

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.

Pursuant to Rule 920(2) of the listing manual of the SGX-ST, a renewal of general mandate has been obtained for the Group to enter into Interested Person Transactions with our Interested Persons as set out in the circular to the shareholders of the Company dated 5 April 2016. During the three months ended 31 March 2016, the following Interested Person Transactions were entered into by the Group.

Name of interested person	Aggregate Value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate Value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	US\$' 000	US\$' 000
PaxOcean Engineering Zhuhai Co., Ltd	-	15,939
PaxOcean Engineering Zhoushan Co., Ltd	-	3,571
DP Shipbuilding and Engineering Pte. Ltd.	-	1,943
Kuok (Singapore) Ltd	-	601
Sea Puffin Pte. Ltd.	-	64
DDW-PaxOcean Shipyard Pte. Ltd.	264	279
GWC Commercial Pte Ltd (f.k.a Midpoint Properties Limited)	-	1,566
PSM Perkapalan Sdn Bhd	-	409
PT. Drydocks World Pertama	-	55
PACC Ship Managers Pte Ltd	-	133
TOTAL	264	24,560

14. *Negative confirmation pursuant to Rule 705(5).*

The Board hereby confirms that to the best of their knowledge, 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 2016 to be false or misleading in any material respect.

15. *Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).*

The Company confirms that the undertakings under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

On behalf of the Board of Directors

**Kuok Khoon Ean
Chairman**

**Gerald Seow
Chief Executive Officer/Director**

4 May 2016