



**PACC OFFSHORE SERVICES HOLDINGS LTD.**

Registration Number: 200603185Z

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UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT  
FOR THE SECOND QUARTER AND THE SIX MONTHS ENDED 30 JUNE 2016

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## **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 30 June 2016, the POSH Group (including joint ventures) operated a combined fleet of 111 vessels with another 22 vessels on order, comprising Anchor Handling Tug Supply Vessels, Anchor Handling Tugs, Utility Maintenance Vessels, 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.

For more information on POSH, please visit [www.posh.com.sg](http://www.posh.com.sg).

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1(a)(i). *Group Income Statement*

	Group					
	Quarter ended			6 Months ended		
	30 Jun 2016 US\$'000	30 Jun 2015 US\$'000	%	30 Jun 2016 US\$'000	30 Jun 2015 US\$'000	%
		Change			Change	
Revenue	46,109	71,022	-35%	104,806	128,607	-19%
Cost of sales	(44,276)	(56,556)	-22%	(88,928)	(106,147)	-16%
<b>Gross profit</b>	<b>1,833</b>	14,466	-87%	<b>15,878</b>	22,460	-29%
Other operating income	1,230	1,927	-36%	2,995	5,257	-43%
Distribution costs	(307)	(365)	-16%	(495)	(803)	-38%
General and administrative expenses	(13,412)	(10,353)	30%	(25,611)	(17,182)	49%
Finance costs	(3,354)	(2,528)	33%	(6,263)	(5,095)	23%
Share of joint ventures' result	(3,118)	3,304	NM	1,738	1,984	-12%
<b>(Loss)/profit before taxation</b>	<b>(17,128)</b>	6,451	NM	<b>(11,758)</b>	6,621	NM
Taxation	(422)	(341)	24%	(1,409)	(490)	188%
<b>Net (loss)/profit for the period</b>	<b>(17,550)</b>	6,110	NM	<b>(13,167)</b>	6,131	NM
<b>(Loss)/profit attributable to:</b>						
Equity holders of the Company	(17,527)	6,110	NM	(13,076)	6,131	NM
Non-controlling interests	(23)	-	NM	(91)	-	NM
	<b>(17,550)</b>	6,110	NM	<b>(13,167)</b>	6,131	NM

NM denotes "Not Meaningful".

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

	Group			
	Quarter ended		6 Months Ended	
	30 Jun 2016 US\$'000	30 Jun 2015 US\$'000	30 Jun 2016 US\$'000	30 Jun 2015 US\$'000
Amortisation of intangible assets	(12)	(14)	(23)	(29)
Depreciation of fixed assets	(16,635)	(15,266)	(32,433)	(28,087)
Exchange (loss)/gain	(114)	(67)	125	523
Fixed assets written-off	(154)	-	(424)	-
Gain on disposal of fixed assets	278	603	531	1,867
Interest income	524	642	1,183	1,661
Interest expense	(3,354)	(2,528)	(6,263)	(5,095)
Allowance for doubtful debts	(6,469)	(2,694)	(11,184)	(2,694)

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**1(a)(iii). Consolidated Statement of Comprehensive Income**

	<b>Group</b>					
	<b>Quarter ended</b>			<b>6 Months ended</b>		
	<b>30 Jun 2016 US\$'000</b>	<b>30 Jun 2015 US\$'000</b>	<b>% Change</b>	<b>30 Jun 2016 US\$'000</b>	<b>30 Jun 2015 US\$'000</b>	<b>% Change</b>
<b>Net (loss)/profit for the period</b>	<b>(17,550)</b>	6,110	NM	<b>(13,167)</b>	6,131	NM
<b>Other comprehensive (loss)/income:</b> Items that may be reclassified subsequently to profit or loss						
Cash flow hedges-fair value loss	<b>(1,613)</b>	-	NM	<b>(1,613)</b>	-	NM
<b>Other comprehensive loss for the period</b>	<b>(1,613)</b>	-	NM	<b>(1,613)</b>	-	NM
<b>Total comprehensive (loss)/income for the period</b>	<b>(19,163)</b>	6,110	NM	<b>(14,780)</b>	6,131	NM
<b>Total comprehensive (loss)/income for the period attributable to:</b>						
Equity holders of the Company	<b>(19,140)</b>	6,110	NM	<b>(14,689)</b>	6,131	NM
Non-controlling interests	<b>(23)</b>	-	NM	<b>(91)</b>	-	NM
	<b>(19,163)</b>	6,110	NM	<b>(14,780)</b>	6,131	NM

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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	
	30 Jun 16 US\$'000	31 Dec 15 US\$'000	30 Jun 16 US\$'000	31 Dec 15 US\$'000
<b>Non-current assets</b>				
Goodwill	168,303	168,303	-	-
Fixed assets	1,330,157	1,278,147	77,554	46,861
Intangible assets	21	29	-	1
Due from joint ventures	21,086	22,871	21,086	22,871
Investment in subsidiaries	-	-	356,862	356,662
Investment in joint ventures	77,074	76,734	48,317	48,317
Long-term prepayments	10,369	11,289	-	-
	<u>1,607,010</u>	<u>1,557,373</u>	<u>503,819</u>	<u>474,712</u>
<b>Current assets</b>				
Consumables	1,407	805	-	-
Receivables and other current assets	75,114	93,761	3,425	4,386
Due from subsidiaries, joint ventures and related companies	69,809	66,101	1,097,013	1,197,635
Cash and cash equivalents	11,503	13,779	4,306	2,003
	<u>157,833</u>	<u>174,446</u>	<u>1,104,744</u>	<u>1,204,024</u>
Fixed assets classified as held for sale	-	1,791	-	-
	<u>157,833</u>	<u>176,237</u>	<u>1,104,744</u>	<u>1,204,024</u>
<b>Total assets</b>	<u>1,764,843</u>	<u>1,733,610</u>	<u>1,608,563</u>	<u>1,678,736</u>
<b>Non-current liabilities</b>				
Bank borrowings	105,535	-	-	-
Other non-current liabilities	2,461	138	-	-
	<u>107,996</u>	<u>138</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Payables and accruals	64,306	69,247	16,180	19,463
Advances received from customers	3,095	3,400	-	-
Due to subsidiaries, joint ventures and related companies	51,599	36,130	68,046	53,310
Due to holding company	120	584	120	584
Bank borrowings	495,688	559,730	489,223	559,730
Provision for taxation	2,564	3,338	2,069	2,038
	<u>617,372</u>	<u>672,429</u>	<u>575,638</u>	<u>635,125</u>
<b>Total liabilities</b>	<u>725,368</u>	<u>672,567</u>	<u>575,638</u>	<u>635,125</u>
<b>Equity</b>				
Share capital	827,201	827,201	827,201	827,201
Treasury shares	(1,820)	(1,669)	(1,820)	(1,669)
Retained profits	215,433	235,213	207,544	218,079
Other reserves	(1,315)	298	-	-
	<u>1,039,499</u>	<u>1,061,043</u>	<u>1,032,925</u>	<u>1,043,611</u>
Non-controlling interest	(24)	-	-	-
<b>Total equity</b>	<u>1,039,475</u>	<u>1,061,043</u>	<u>1,032,925</u>	<u>1,043,611</u>
<b>Total liabilities and equity</b>	<u>1,764,843</u>	<u>1,733,610</u>	<u>1,608,563</u>	<u>1,678,736</u>

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

	As at 30 Jun 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	489,223	6,465	559,730	-
(ii) Amount repayable after one year	-	105,535	-	-

The Group has renewed and secured new banking facilities. For further details, please refer to page 11 on financing.

**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			
	Quarter Ended		6 Months Ended	
	30 Jun 16 US\$'000	30 Jun 15 US\$'000	30 Jun 16 US\$'000	30 Jun 15 US\$'000
<b>Cash flows from operating activities</b>				
(Loss)/profit before taxation	(17,128)	6,451	(11,758)	6,621
Adjustments for:				
Amortisation of prepayments	91	133	182	266
Amortisation of intangible assets	12	14	23	29
Depreciation of fixed assets	16,635	15,266	32,433	28,087
Fixed assets written off	154	-	424	-
Allowance for doubtful debts-trade	6,469	2,694	11,184	2,694
Gain on disposal of fixed assets	(278)	(603)	(531)	(1,867)
Shares of joint ventures' results	3,118	(3,304)	(1,738)	(1,984)
Interest expense	3,354	2,528	6,263	5,095
Interest income	(524)	(642)	(1,183)	(1,661)
Unrealised exchange loss/(gain)	5	-	(172)	5
Operating cash flows before working capital changes	11,908	22,537	35,127	37,285
Changes in working capital				
Decrease/(increase) in consumables	163	482	(602)	1,132
Decrease/(increase) in receivables and other current assets	2,696	898	7,409	(28,434)
Increase/(decrease) in payables and accruals	(1,826)	3,113	(4,741)	1,615
Cash generated from operations	12,941	27,030	37,193	11,598
Interest paid	(2,874)	(2,525)	(6,382)	(4,889)
Interest received	766	605	1,296	1,483
Income taxes paid	(545)	(623)	(1,473)	(2,863)
<b>Net cash generated from operating activities</b>	<b>10,288</b>	<b>24,487</b>	<b>30,634</b>	<b>5,329</b>
<b>Cash flows from investing activities</b>				
Acquisition of intangible assets	-	-	(15)	-
Acquisition of fixed assets	(35,373)	(44,363)	(69,122)	(193,315)
Proceeds from disposal of fixed assets	633	-	1,412	-
Decrease in due from joint ventures	2,551	97,870	3,472	204,530
<b>Net cash (used in)/generated from investing activities</b>	<b>(32,189)</b>	<b>53,507</b>	<b>(64,253)</b>	<b>11,215</b>

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	Group			
	Quarter Ended		6 Months Ended	
	30 Jun 16 US\$'000	30 Jun 15 US\$'000	30 Jun 16 US\$'000	30 Jun 15 US\$'000
<b>Cash flows from financing activities</b>				
Capital injection from non-controlling interest of a subsidiary	-	-	67	-
Purchase of treasury shares	-	-	(151)	-
Dividends paid	(6,704)	(20,093)	(6,704)	(20,093)
Proceeds from/(repayment of) bank borrowings	23,388	(29,735)	41,493	31,560
Increase/(decrease) in due to fellow subsidiaries	3,570	3,905	(3,070)	(47)
Decrease in due to holding company	(613)	(2,880)	(464)	(18)
<b>Net cash generated from/(used in) financing activities</b>	<b>19,641</b>	<b>(48,803)</b>	<b>31,171</b>	<b>11,402</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,260)</b>	<b>29,191</b>	<b>(2,448)</b>	<b>27,946</b>
Effect of exchange rate changes on cash and cash equivalents	(5)	-	172	(5)
Cash and cash equivalents at beginning of period	13,768	10,918	13,779	12,168
<b>Cash and cash equivalents at end of period</b>	<b>11,503</b>	<b>40,109</b>	<b>11,503</b>	<b>40,109</b>

**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.**

	Attributable to Shareholders of the Company						Total US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Retained profits US\$'000	Hedging reserve US\$'000	Exchange reserves US\$'000	Non-controlling interest US\$'000	
<b>The Group</b>							
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
Profit/(loss) for period, representing total comprehensive income/(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
Dividend paid	-	-	(6,704)	-	-	-	(6,704)
Loss for the period	-	-	(17,527)	-	-	(23)	(17,550)
Other comprehensive loss	-	-	-	(1,613)	-	-	(1,613)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(17,527)</b>	<b>(1,613)</b>	<b>-</b>	<b>(23)</b>	<b>(19,163)</b>
Balance at 30 Jun 2016	827,201	(1,820)	215,433	(1,613)	298	(24)	1,039,475

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<b>The Group</b>	<b>Attributable to Shareholders of the Company</b>						<b>Total US\$'000</b>
	<b>Share capital US\$'000</b>	<b>Treasury shares US\$'000</b>	<b>Retained profits US\$'000</b>	<b>Hedging reserve US\$'000</b>	<b>Exchange reserves US\$'000</b>	<b>Non-controlling interest US\$'000</b>	
Balance at 1 Jan 2015	827,201	-	386,265	-	298	-	1,213,764
Profit for the period, representing total comprehensive income for the period	-	-	21	-	-	-	21
Balance at 31 Mar 2015	827,201	-	386,286	-	298	-	1,213,785
Dividend paid	-	-	(20,093)	-	-	-	(20,093)
Profit for the period, representing total comprehensive income for the period	-	-	6,110	-	-	-	6,110
Balance at 30 Jun 2015	827,201	-	372,303	-	298	-	1,199,802

<b>The Company</b>	<b>Share capital US\$'000</b>	<b>Treasury shares US\$'000</b>	<b>Retained profits US\$'000</b>	<b>Total US\$'000</b>
Balance at 1 Jan 2016	827,201	(1,669)	218,079	1,043,611
Purchase of treasury shares	-	(151)	-	(151)
Loss for the period, representing total comprehensive loss for the period	-	-	(3,022)	(3,022)
Balance at 31 Mar 2016	827,201	(1,820)	215,057	1,040,438
Dividend paid	-	-	(6,704)	(6,704)
Loss for the period, representing total comprehensive loss for the period	-	-	(809)	(809)
Balance at 30 Jun 2016	827,201	(1,820)	207,544	1,032,925
Balance at 1 Jan 2015	827,201	-	293,522	1,120,723
Profit for the period, representing total comprehensive income for the period	-	-	350	350
Balance at 31 Mar 2015	827,201	-	293,872	1,121,073
Dividend paid	-	-	(20,093)	(20,093)
Loss for the period, representing total comprehensive loss for the period	-	-	(2,315)	(2,315)
Balance at 30 Jun 2015	827,201	-	271,464	1,098,665

- 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.**

The Company has not issued any new shares since the end of the previous period reported on.

As at 30 June 2016, 8,014,900 treasury shares were held by the Company (30 June 2015: nil). These shares represent 0.4% (30 June 2015: nil) of the total number of issued shares (excluding treasury shares).

There were no outstanding convertible shares as at 30 June 2016 (30 June 2015: nil).

- 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 30 June 2016 were 1,811,985,100 (30 June 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 year 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			
	Quarter Ended		6 Months Ended	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
Net (loss)/profit attributable to equity holders of the Company (US\$'000)	(17,527)	6,110	(13,076)	6,131
Weighted average ordinary shares for calculation ('000)				
- Basic	1,811,985	1,820,000	1,812,042	1,820,000
- On fully diluted basis	1,813,858	1,820,000	1,813,699	1,820,000
Earnings per ordinary shares ("EPS") (cents)				
(i) Based on weighted average number of ordinary shares issued	(0.97)	0.34	(0.72)	0.34
(ii) On fully diluted basis	(0.97)	0.34	(0.72)	0.34

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	As at	As at	As at
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
Net asset value (US\$'000)	1,039,475	1,061,043	1,032,925	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)	57.37	58.53	57.01	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

#### 2nd Quarter 2016 ("Q2 FY16") vs 2nd Quarter 2015 ("Q2 FY15")

	Revenue			Gross (Loss)/Profit			Gross Profit Margin	
	Q2 FY16	Q2 FY15	%	Q2 FY16	Q2 FY15	%	Q2 FY16	Q2 FY15
	US\$ '000	US\$ '000	Change	US\$ '000	US\$ '000	Change	%	%
Offshore Supply Vessels ("OSV")	19,665	31,532	-38%	(2,746)	(721)	281%	-14%	-2%
Offshore Accommodation ("OA")	16,612	26,305	-37%	2,736	13,060	-79%	16%	50%
Transportation & Installation ("T&I")	3,856	8,053	-52%	179	1,691	-89%	5%	21%
Harbour Services and Emergency Response ("HSER")	5,976	5,132	16%	1,664	436	282%	28%	8%
	<u>46,109</u>	<u>71,022</u>	-35%	<u>1,833</u>	<u>14,466</u>	-87%	4%	20%

Capital expenditure by oil majors has slowed significantly and oilfield operators continue to seek further reductions in their operating cost. The deterioration of market conditions in the offshore marine sector has negatively affected the results of the Group in Q2 FY16. Consequently, the Group registered lower revenue of US\$46.1 million (Q2 FY15: US\$71.0 million). The lower revenue was mainly due to lower utilisation and charter rates across the major business segments.

**Income Statement (cont'd)**

**2nd Quarter 2016 ("Q2 FY16") vs 2nd Quarter 2015 ("Q2 FY15")**

OSV

OSV segment revenue decreased by 38% to US\$19.7 million (Q2 FY15: US\$31.5 million) mainly due to lower charter rates and utilisation of 58% in Q2 FY16 (Q2 FY15: 65%). The day rates earned in this quarter were 20% to 30% lower compared to Q2 FY15 as a result of discount on day rates previously contracted and reduced rates of new contracts. Project delays further contributed to lower utilisation. Correspondingly, the segment registered a gross loss of US\$2.7 million in Q2 FY16 (Q2 FY15: US\$0.7 million).

OA

OA segment revenue decreased by 37% to US\$16.6 million (Q2 FY15: US\$26.3 million) mainly due to lower charter rate for POSH Xanadu (a 750-pax semi-submersible accommodation vessel "SSAV") on contract extension, lower utilisation, and the early termination of two contracts as a result of non-payment of charter. As a result, gross profit decreased by US\$10.3 million to US\$2.7 million in Q2 FY16 (Q2 FY15: US\$13.1 million).

T&I

T&I segment revenue decreased by 52% to US\$3.9 million (Q2 FY15: US\$8.1 million) mainly due to lower charter rates and utilisation arising from reduction in capital expenditure and the cancellation of projects by oil companies. Correspondingly, gross profit decreased to US\$0.2 million (Q2 FY15: US\$1.7 million).

HSER

HSER revenue increased by 16% to US\$6.0 million (Q2 FY15: US\$5.1 million) mainly due to increased utilisation from new charters and spot jobs for harbour tugs in Q2 FY16.

General & administrative expenses and Other Income

General and administrative expenses increased by 30% or US\$3.1 million to US\$13.4 million (Q2 FY15: US\$10.3 million), mainly due to higher allowance for doubtful debts of US\$6.5 million as compared to Q2 FY15 of US\$2.7 million.

In Q2 FY16, other income was US\$1.2 million (Q2 FY15: US\$1.9 million), mainly due to lower gain on vessels disposal.

The Group's share of results from joint ventures ("JVs") registered a loss of US\$3.1 million in Q2 FY16 as compared to a profit of US\$3.3 million in Q2 FY15. This was mainly due to lower contributions from POSH Terasea as a result of allowance for doubtful debt.

The Group recorded a net loss attributable to shareholders of US\$17.5 million in Q2 FY16 as compared to a net profit of US\$6.1 million in Q2 FY15.

**6 Months ended 30 June 2016 ("1H FY16") vs 6 Months ended 30 June 2015 ("1H FY15")**

	Revenue			Gross (Loss)/Profit			Gross Profit Margin	
	1H FY16	1H FY15	%	1H FY16	1H FY15	%	1H FY16	1H FY15
	US\$ '000	US\$ '000	Change	US\$ '000	US\$ '000	Change	%	%
Offshore Supply Vessels ("OSV")	40,650	64,287	-37%	(3,206)	3,178	NM	-8%	5%
Offshore Accommodation ("OA")	45,045	39,425	14%	15,033	14,673	2%	33%	37%
Transportation & Installation ("T&I")	8,641	14,094	-39%	1,219	3,231	-62%	14%	23%
Harbour Services and Emergency Response ("HSER")	10,470	10,801	-3%	2,832	1,378	106%	27%	13%
	<u>104,806</u>	<u>128,607</u>	<u>-19%</u>	<u>15,878</u>	<u>22,460</u>	<u>-29%</u>	<u>15%</u>	<u>17%</u>

In 1H FY16, the Group registered revenue of US\$104.8 million (1H FY15: US\$128.6 million), a decrease of 19% or US\$23.8 million. This was mainly due to lower charter rates and utilisation from other segments off-set by contribution from the OA segment. Correspondingly, gross profit decreased by 29% to US\$15.9 million (1H FY15: US\$22.5 million).

**Income Statement (cont'd)**

**6 Months ended 30 June 2016 ("1H FY16") vs 6 Months ended 30 June 2015 ("1H FY15")**

OSV

OSV segment revenue decreased by 37% to US\$40.7 million (1H FY15: US\$64.3 million) mainly due to lower charter rates and utilisation of 63% (1H FY15: 68%). Consequently, the segment incurred gross loss of US\$3.2 million in 1H FY16 as compared to gross profit of US\$3.2 million in 1H FY15.

OA

OA segment revenue increased by 14% to US\$45.0 million (1H FY15: US\$39.4 million) mainly due to revenue contribution by POSH Xanadu (SSAV) for two quarters in 2016 as compared with one quarter in 2015. Consequently, gross profit increased by US\$0.4 million or 2% to US\$15.0 million (1H FY15: US\$14.7 million).

T&I

T&I segment revenue decreased by 39% to US\$8.6 million (1H FY15: US\$14.1 million) mainly due to lower charter rates and utilisation. Correspondingly, gross profit decreased to US\$1.2 million (1H FY15: US\$3.2 million).

HSER

HSER segment registered a 3% decrease in revenue to US\$10.5 million. The completed charters in prior year were at a lower margin. The higher gross profit was also due to new charters from harbour services and salvage jobs at higher margins.

General & administrative expenses and Other Income

General and administrative expenses increased by 49% or US\$8.4 million to US\$25.6 million (1H FY15: US\$17.2 million), mainly due to higher allowance for doubtful debts of US\$11.2 million (1H FY15: US\$2.7 million).

Other income in 1H FY16 decreased to US\$3.0 million (1H FY15: US\$5.3 million) mainly due to lower gain on disposals by US\$1.4 million, lower interest income and management fees from joint ventures by US\$0.5 million and US\$0.3 million respectively.

The Group's share of results from joint ventures decreased by 12% to US\$1.7 million in 1H FY16 (1H FY15: US\$2.0 million) mainly as a result of the allowance for doubtful debt.

The Group's net loss attributable to shareholders was US\$13.1 million in 1H FY16 as compared to a profit of US\$6.1 million in 1H FY15.

**Statement of Financial Position**

The Group's net asset was US\$1,039.5 million as at 30 June 2016.

Fixed assets increased by US\$52.0 million mainly due to payment for vessels under construction. Decrease in receivables and other current assets were mainly due to lower billings and additional allowance for doubtful debts of US\$11.2 million during the current period.

The Group has a net current liability of US\$459.5 million mainly due to classification of the US\$300 million term loans with repayment in July 2016 as current liability. This term loan has been refinanced by new 5 and 7 years term facilities in July 2016.

**Statement of Cash Flows**

The Group generated net operating cash flow of US\$30.6 million in 1H FY16.

Net cash used in investing activities of US\$64.3 million in 1H FY16 was mainly due to payment for vessels under construction.

The Group's net cash flow generated from financing activities in 1H FY16 was US\$31.2 million mainly due to increased 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.***

Capital expenditure by oil majors has slowed significantly and oilfield operators continue to seek further reductions in their operating cost. This has exerted downward pressure on vessel utilisation and charter rates which will continue to negatively impact the Group's financial performance. The operating environment is expected to remain challenging and the Group does not expect to be profitable for the rest of the financial year.

The Group will focus on achieving positive net operating cash generation through cost reduction and improving vessel utilization.

**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 six months financial period ended 30 June 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	-	86,739
PaxOcean Engineering Zhoushan Co., Ltd	-	4,300
DP Shipbuilding and Engineering Pte. Ltd.	28	7,030
Kuok (Singapore) Ltd	-	1,043
KSL Corporate Services Pte Ltd	-	30
Sea Puffin Pte. Ltd.	-	64
DDW-Pax Ocean Shipyard Pte Ltd	264	330
GWC Commercial Pte Ltd (f.k.a Midpoint Properties Limited)	-	1,569
PSM Perkapalan Sdn Bhd	-	404
PT. Drydocks World Pertama	-	55
Raffles Bunkering Pte Ltd	-	123
PACC Ship Managers Pte. Ltd.	-	137
<b>TOTAL</b>	<b>292</b>	<b>101,824</b>

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 six months ended 30 June 2016 to be false or misleading in any material respect.

**On behalf of the Board of Directors**

**Kuok Khoon Ean**  
**Chairman**

**Gerald Seow**  
**Chief Executive Officer/Director**

2 August 2016