



PACC OFFSHORE SERVICES HOLDINGS LTD.

Registration Number: 200603185Z

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED 30 SEPTEMBER 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 30 September 2016, the POSH Group (including joint ventures) operated a combined fleet of 114 vessels with another 19 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.

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1(a)(i). Group Income Statement

	Group					
	Quarter ended			9 Months ended		
	30 Sep 2016 US\$'000	30 Sep 2015 US\$'000	%	30 Sep 2016 US\$'000	30 Sep 2015 US\$'000	%
		Change			Change	
Revenue	41,629	80,397	-48%	146,435	209,004	-30%
Cost of sales	(43,065)	(62,017)	-31%	(131,993)	(168,164)	-22%
Gross (loss)/profit	(1,436)	18,380	NM	14,442	40,840	-65%
Other operating (expenses)/ income	(381)	3,608	NM	2,614	8,865	-71%
Distribution costs	(227)	(399)	-43%	(722)	(1,202)	-40%
General and administrative expenses	(6,584)	(6,774)	-3%	(32,195)	(23,956)	34%
Finance costs	(4,034)	(2,607)	55%	(10,297)	(7,702)	34%
Share of joint ventures' result	(57)	873	NM	1,681	2,857	-41%
(Loss)/profit before taxation	(12,719)	13,081	NM	(24,477)	19,702	NM
Taxation	(233)	(502)	-54%	(1,642)	(992)	66%
Net (loss)/profit for the period	(12,952)	12,579	NM	(26,119)	18,710	NM
(Loss)/profit attributable to:						
Equity holders of the Company	(12,936)	12,579	NM	(26,012)	18,710	NM
Non-controlling interests	(16)	-	NM	(107)	-	NM
	(12,952)	12,579	NM	(26,119)	18,710	NM

NM denotes "Not Meaningful".

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

	Group			
	Quarter ended		9 Months Ended	
	30 Sep 2016 US\$'000	30 Sep 2015 US\$'000	30 Sep 2016 US\$'000	30 Sep 2015 US\$'000
Amortisation of intangible assets	(6)	(14)	(29)	(43)
Depreciation of fixed assets	(17,706)	(16,140)	(50,139)	(44,227)
Exchange (loss)/gain	(42)	105	83	628
Fixed assets written-off	(17)	(207)	(441)	(207)
(Loss)/gain on disposal of fixed assets	(220)	758	311	2,625
Interest income	534	726	1,717	2,387
Interest expense	(4,034)	(2,607)	(10,297)	(7,702)
Reversal of/(allowance for) doubtful debts	-	690	(11,184)	(2,004)

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

	Group					
	Quarter ended			9 Months ended		
	30 Sep 2016 US\$'000	30 Sep 2015 US\$'000	% Change	30 Sep 2016 US\$'000	30 Sep 2015 US\$'000	% Change
Net (loss)/profit for the period	(12,952)	12,579	NM	(26,119)	18,710	NM
Other comprehensive (loss)/income:						
Items that may be reclassified subsequently to profit or loss						
Cash flow hedges-fair value loss	(272)	-	NM	(1,885)	-	NM
Other comprehensive loss for the period	(272)	-	NM	(1,885)	-	NM
Total comprehensive (loss)/income for the period	(13,224)	12,579	NM	(28,004)	18,710	NM
Total comprehensive (loss)/income for the period attributable to:						
Equity holders of the Company	(13,208)	12,579	NM	(27,897)	18,710	NM
Non-controlling interests	(16)	-	NM	(107)	-	NM
	(13,224)	12,579	NM	(28,004)	18,710	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 Sep 16	31 Dec 15	30 Sep 16	31 Dec 15
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Goodwill	168,303	168,303	-	-
Fixed assets	1,334,870	1,278,147	86,975	46,861
Intangible assets	13	29	-	1
Due from joint ventures	20,529	22,871	20,529	22,871
Investment in subsidiaries	-	-	356,862	356,662
Investment in joint ventures	76,848	76,734	48,317	48,317
Long-term prepayments	3,407	11,289	-	-
	<u>1,603,970</u>	<u>1,557,373</u>	<u>512,683</u>	<u>474,712</u>
Current assets				
Consumables	956	805	-	-
Receivables and other current assets	79,485	93,761	3,610	4,386
Due from subsidiaries, joint ventures and related companies	66,835	66,101	945,495	1,197,635
Cash and cash equivalents	13,794	13,779	4,372	2,003
	<u>161,070</u>	<u>174,446</u>	<u>953,477</u>	<u>1,204,024</u>
Fixed assets classified as held for sale	-	1,791	-	-
	<u>161,070</u>	<u>176,237</u>	<u>953,477</u>	<u>1,204,024</u>
Total assets	<u>1,765,040</u>	<u>1,733,610</u>	<u>1,466,160</u>	<u>1,678,736</u>
Non-current liabilities				
Bank borrowings	441,380	-	200,000	-
Other non-current liabilities	2,758	138	-	-
	<u>444,138</u>	<u>138</u>	<u>200,000</u>	<u>-</u>
Current liabilities				
Payables and accruals	71,092	69,247	16,550	19,463
Advances received from customers	3,308	3,400	-	-
Due to subsidiaries, joint ventures and related companies	31,371	36,130	51,642	53,310
Due to holding company	116	584	116	584
Bank borrowings	186,054	559,730	165,434	559,730
Provision for taxation	2,718	3,338	2,194	2,038
	<u>294,659</u>	<u>672,429</u>	<u>235,936</u>	<u>635,125</u>
Total liabilities	<u>738,797</u>	<u>672,567</u>	<u>435,936</u>	<u>635,125</u>
Equity				
Share capital	827,201	827,201	827,201	827,201
Treasury shares	(1,828)	(1,669)	(1,828)	(1,669)
Retained profits	202,497	235,213	204,851	218,079
Other reserves	(1,587)	298	-	-
	<u>1,026,283</u>	<u>1,061,043</u>	<u>1,030,224</u>	<u>1,043,611</u>
Non-controlling interest	(40)	-	-	-
Total equity	<u>1,026,243</u>	<u>1,061,043</u>	<u>1,030,224</u>	<u>1,043,611</u>
Total liabilities and equity	<u>1,765,040</u>	<u>1,733,610</u>	<u>1,466,160</u>	<u>1,678,736</u>

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

	As at 30 Sep 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	165,434	20,620	559,730	-
(ii) Amount repayable after one year	200,000	241,380	-	-

The Group has renewed and secured new banking facilities.

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		9 Months Ended	
	30 Sep 16 US\$'000	30 Sep 15 US\$'000	30 Sep 16 US\$'000	30 Sep 15 US\$'000
Cash flows from operating activities				
(Loss)/profit before taxation	(12,719)	13,081	(24,477)	19,702
Adjustments for:				
Amortisation of prepayments	91	104	273	370
Amortisation of intangible assets	6	14	29	43
Depreciation of fixed assets	17,706	16,140	50,139	44,227
Fixed assets written off	17	207	441	207
(Reversal of)/allowance for doubtful debts-trade	-	(690)	11,184	2,004
Loss/(gain) on disposal of fixed assets	220	(758)	(311)	(2,625)
Shares of joint ventures' results	57	(873)	(1,681)	(2,857)
Interest expense	4,034	2,607	10,297	7,702
Interest income	(534)	(726)	(1,717)	(2,387)
Unrealised exchange (gain)/loss	(44)	(4)	(216)	1
Operating cash flows before working capital changes	8,834	29,102	43,961	66,387
Changes in working capital				
Decrease/(increase) in consumables	451	284	(151)	1,416
(Increase)/decrease in receivables and other current assets	(4,162)	(2,635)	3,247	(31,068)
Increase in payables and accruals	7,813	1,005	3,072	2,619
Cash generated from operations	12,936	27,756	50,129	39,354
Interest paid	(4,848)	(2,666)	(11,230)	(7,555)
Interest received	419	334	1,715	1,817
Income taxes paid	(53)	(38)	(1,526)	(2,901)
Net cash generated from operating activities	8,454	25,386	39,088	30,715
Cash flows from investing activities				
Acquisition of intangible assets	-	-	(15)	-
Acquisition of fixed assets	(30,853)	(35,702)	(99,975)	(229,017)
Proceeds from disposal of fixed assets	817	712	2,229	712
Decrease in due from joint ventures	1,105	13,195	4,577	217,725
Net cash used in investing activities	(28,931)	(21,795)	(93,184)	(10,580)

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	Group			
	Quarter Ended		9 Months Ended	
	30 Sep 16 US\$'000	30 Sep 15 US\$'000	30 Sep 16 US\$'000	30 Sep 15 US\$'000
Cash flows from financing activities				
Capital injection from non-controlling interest of a subsidiary	-	-	67	-
Purchase of treasury shares	(8)	(1,060)	(159)	(1,060)
Dividends paid	-	-	(6,704)	(20,093)
Proceeds from/(repayment of) bank borrowings	26,211	(26,665)	67,704	4,895
Decrease in due to fellow subsidiaries	(3,475)	(2,966)	(6,545)	(3,013)
(Decrease)/increase in due to holding company	(4)	124	(468)	106
Net cash generated from/(used in) financing activities	22,724	(30,567)	53,895	(19,165)
Net increase/(decrease) in cash and cash equivalents	2,247	(26,976)	(201)	970
Effect of exchange rate changes on cash and cash equivalents	44	4	216	(1)
Cash and cash equivalents at beginning of period	11,503	40,109	13,779	12,168
Cash and cash equivalents at end of period	13,794	13,137	13,794	13,137

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						
	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	Total US\$'000
The Group							
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
Dividends paid	-	-	(6,704)	-	-	-	(6,704)
Loss for the period	-	-	(13,076)	-	-	(91)	(13,167)
Other comprehensive loss	-	-	-	(1,613)	-	-	(1,613)
Total comprehensive loss for the period	-	-	(13,076)	(1,613)	-	(91)	(14,780)
Balance at 30 Jun 2016	827,201	(1,820)	215,433	(1,613)	298	(24)	1,039,475
Purchase of treasury shares	-	(8)	-	-	-	-	(8)
Loss for the period	-	-	(12,936)	-	-	(16)	(12,952)
Other comprehensive loss	-	-	-	(272)	-	-	(272)
Total comprehensive loss for the period	-	-	(12,936)	(272)	-	(16)	(13,224)
Balance at 30 Sep 2016	827,201	(1,828)	202,497	(1,885)	298	(40)	1,026,243

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The Group	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	
Balance at 1 Jan 2015	827,201	-	386,265	-	298	-	1,213,764
Dividends paid	-	-	(20,093)	-	-	-	(20,093)
Profit for the period, representing total comprehensive income for the period	-	-	6,131	-	-	-	6,131
Balance at 30 Jun 2015	827,201	-	372,303	-	298	-	1,199,802
Purchase of treasury shares	-	(1,060)	-	-	-	-	(1,060)
Profit for the period, representing total comprehensive income for the period	-	-	12,579	-	-	-	12,579
Balance at 30 Sep 2015	827,201	(1,060)	384,882	-	298	-	1,211,321

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
Dividends paid	-	-	(6,704)	(6,704)
Purchase of treasury shares	-	(151)	-	(151)
Loss for the period, representing total comprehensive loss for the period	-	-	(3,831)	(3,831)
Balance at 30 Jun 2016	827,201	(1,820)	207,544	1,032,925
Purchase of treasury shares	-	(8)	-	(8)
Loss for the period, representing total comprehensive loss for the period	-	-	(2,693)	(2,693)
Balance at 30 Sep 2016	827,201	(1,828)	204,851	1,030,224
Balance at 1 Jan 2015	827,201	-	293,522	1,120,723
Dividends paid	-	-	(20,093)	(20,093)
Profit for the period, representing total comprehensive income for the period	-	-	(1,965)	(1,965)
Balance at 30 Jun 2015	827,201	-	271,464	1,098,665
Purchase of treasury shares	-	(1,060)	-	(1,060)
Loss for the period, representing total comprehensive loss for the period	-	-	(2,246)	(2,246)
Balance at 30 Sep 2015	827,201	(1,060)	269,218	1,095,359

- 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.

As at 30 September 2016, 8,052,900 treasury shares were held by the Company (30 September 2015: 4,685,900). These shares represent 0.4% (30 September 2015: 0.3%) of the total number of issued shares (excluding treasury shares).

There were no outstanding convertible shares as at 30 September 2016 (30 September 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 September 2016 were 1,811,947,100 (31 December 2015: 1,812,705,400).

- 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		9 Months Ended	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
Net (loss)/profit attributable to equity holders of the Company (US\$'000)	(12,936)	12,579	(26,012)	18,710
Weighted average ordinary shares for calculation ('000)				
- Basic	1,811,947	1,818,479	1,812,010	1,819,487
- On fully diluted basis	1,813,820	1,818,479	1,813,740	1,819,487
Earnings per ordinary shares ("EPS") (US cents)				
(i) Based on weighted average number of ordinary shares issued	(0.71)	0.69	(1.44)	1.03
(ii) On fully diluted basis	(0.71)	0.69	(1.43)	1.03

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	As at 30-Sep-16	As at 31-Dec-15	As at 30-Sep-16	As at 31-Dec-15
	Net asset value (US\$'000)	1,026,243	1,061,043	1,030,224
Total number of ordinary shares issued ('000)	1,811,947	1,812,705	1,811,947	1,812,705
Net asset value per ordinary shares (US cents)	56.64	58.53	56.86	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

3rd Quarter 2016 ("Q3 FY16") vs 3rd Quarter 2015 ("Q3 FY15")

	Revenue			Gross (Loss)/Profit			Gross (Loss)/Profit Margin	
	Q3 FY16	Q3 FY15	%	Q3 FY16	Q3 FY15	%	Q3 FY16	Q3 FY15
	US\$ '000	US\$ '000	Change	US\$ '000	US\$ '000	Change	%	%
Offshore Supply Vessels ("OSV")	16,907	37,996	-56%	(4,370)	5,322	NM	-26%	14%
Offshore Accommodation ("OA")	15,154	26,943	-44%	1,815	10,912	-83%	12%	41%
Transportation & Installation ("T&I")	3,902	7,248	-46%	15	840	-98%	0%	12%
Harbour Services and Emergency Response ("HSER")	5,666	8,210	-31%	1,104	1,306	-15%	19%	16%
	<u>41,629</u>	<u>80,397</u>	-48%	<u>(1,436)</u>	<u>18,380</u>	NM	-3%	23%

Income Statement (cont'd)

3rd Quarter 2016 ("Q3 FY16") vs 3rd Quarter 2015 ("Q3 FY15") (cont'd)

Market conditions in the offshore marine sector continued to deteriorate and had negatively affected the results of the Group in Q3 FY16. Consequently, the Group registered lower revenue of US\$41.6 million (Q3 FY15: US\$80.4 million). The lower revenue was mainly due to lower utilisation and charter rates across the major business segments.

OSV

OSV segment revenue decreased by 56% to US\$16.9 million (Q3 FY15: US\$38.0 million) mainly due to lower charter rates and utilisation of 59% in Q3 FY16 (Q3 FY15: 74%). The day rates earned in this quarter were lower compared to Q3 FY15 as a result of discount on day rates previously contracted and reduced rates for new contracts. Correspondingly, the segment registered a gross loss of US\$4.4 million in Q3 FY16 as compared with profit of US\$5.3 million in Q3 FY15.

OA

OA segment revenue decreased by 44% to US\$15.2 million (Q3 FY15: US\$26.9 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. Correspondingly, gross profit decreased by US\$9.1 million to US\$1.8 million in Q3 FY16 (Q3 FY15: US\$10.9 million).

T&I

T&I segment revenue decreased by 46% to US\$3.9 million (Q3 FY15: US\$7.2 million) mainly due to lower charter rates and utilisation arising from reduction in capital expenditure by oil companies. Correspondingly, gross profit decreased to US\$15,000 (Q3 FY15: US\$0.8 million).

HSER

HSER revenue decreased by 31% to US\$5.7 million (Q3 FY15: US\$8.2 million) mainly due to lower salvage revenue in Q3 FY16.

General & administrative expenses and Other Income

Other operating expense in Q3 FY16 of US\$0.4 million (Q3 FY15: other income of US\$3.6 million) was mainly due to loss on vessels disposal compared to gain in prior year.

Finance costs increased by 55% or US\$1.4 million due to increase in loan balances and higher interest rates in Q3 FY16.

The Group's share of results from joint ventures ("JVs") registered a loss of US\$57,000 in Q3 FY16 compared to a profit of US\$0.9 million in Q3 FY15. This was mainly due to lower contribution from POSH Terasea.

The Group recorded a net loss attributable to shareholders of US\$12.9 million in Q3 FY16 compared to a net profit of US\$12.6 million in Q3 FY15.

9 Months ended 30 September 2016 ("9M FY16") vs 9 Months ended 30 September 2015 ("9M FY15")

	Revenue			Gross (Loss)/Profit			Gross (Loss)/Profit Margin	
	9M FY16	9M FY15	%	9M FY16	9M FY15	%	9M FY16	9M FY15
	US\$ '000	US\$ '000	Change	US\$ '000	US\$ '000	Change	%	%
Offshore Supply Vessels ("OSV")	57,557	102,283	-44%	(7,576)	8,500	NM	-13%	8%
Offshore Accommodation ("OA")	60,199	66,368	-9%	16,848	25,585	-34%	28%	39%
Transportation & Installation ("T&I")	12,543	21,342	-41%	1,234	4,071	-70%	10%	19%
Harbour Services and Emergency Response ("HSER")	16,136	19,011	-15%	3,936	2,684	47%	24%	14%
	<u>146,435</u>	<u>209,004</u>	<u>-30%</u>	<u>14,442</u>	<u>40,840</u>	<u>-65%</u>	<u>10%</u>	<u>20%</u>

Income Statement (cont'd)

9 Months ended 30 September 2016 ("9M FY16") vs 9 Months ended 30 September 2015 ("9M FY15") (cont'd)

In 9M FY16, the Group registered revenue of US\$146.4 million (9M FY15: US\$209.0 million), a decrease of 30% or US\$62.6 million. This was mainly due to lower charter rates and utilisation across major business segments due to unfavourable market conditions. Correspondingly, gross profit decreased by 65% to US\$14.4 million (9M FY15: US\$40.8 million).

OSV

OSV segment revenue decreased by 44% to US\$57.6 million (9M FY15: US\$102.3 million) mainly due to lower charter rates and utilisation of 63% (9M FY15: 70%). Consequently, the segment incurred gross loss of US\$7.6 million in 9M FY16 as compared to gross profit of US\$8.5 million in 9M FY15.

OA

OA segment revenue decreased by 9% to US\$60.2 million (9M FY15: US\$66.4 million) mainly due to lower revenue contribution by POSH Xanadu (SSAV) and lower utilisation of other accommodation vessels. Consequently, gross profit decreased by US\$8.7 million or 34% to US\$16.8 million (9M FY15: US\$25.6 million).

T&I

T&I segment revenue decreased by 41% to US\$12.5 million (9M FY15: US\$21.3 million) mainly due to lower charter rates and utilisation. Correspondingly, gross profit decreased to US\$1.2 million (9M FY15: US\$4.1 million).

HSER

HSER segment registered a 15% decrease in revenue to US\$16.1 million (9M FY15: US\$19.0 million) mainly due to the absence of salvage jobs in 9M FY16.

General & administrative expenses and Other Income

Other income in 9M FY16 decreased to US\$2.6 million (9M FY15: US\$8.9 million) mainly due to lower gain on disposals of vessels, interest income and exchange gains.

General and administrative expenses increased by 34% or US\$8.2 million to US\$32.2 million (9M FY15: US\$24.0 million), mainly due to higher allowance for doubtful debts of US\$9.2 million.

Finance costs increased by 34% or US\$2.6 million to US\$10.3 million (9M FY15: US\$7.7 million) mainly due to higher loan balances.

The Group's share of results from joint ventures decreased by 41% to US\$1.7 million in 9M FY16 (9M FY15: US\$2.9 million) mainly due to lower contribution from one of the joint ventures as a result of allowance for doubtful debts.

The Group's net loss attributable to shareholders was US\$26.0 million in 9M FY16 as compared to a profit of US\$18.7 million in 9M FY15.

Statement of Financial Position

The Group's net asset was US\$1,026.2 million as at 30 September 2016.

Fixed assets increased by US\$56.7 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.

The Group has a net current liability of US\$133.6 million mainly due to bank borrowings due within one year.

Statement of Cash Flows

The Group generated net operating cash flow of US\$39.1 million in 9M FY16 compared to US\$30.7 million in 9M FY15.

Net cash used in investing activities of US\$93.2 million in 9M FY16 (9M FY15: US\$10.6 million) was mainly due to payment for vessels under construction.

The Group's net cash generated from financing activities in 9M FY16 was US\$53.9 million mainly due to bank borrowings compared to net cash used in financing activities of US\$19.2 million in 9M FY15 mainly due to dividends payment.

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 remained low with oilfield operators choosing not to invest or to postpone them. This lack of new investments will continue to exert downward pressure on vessel utilisation and charter rates. The operating environment remains challenging and this will affect the Group's performance for the foreseeable future.

With the depressed market condition, the Group expects the carrying value of the goodwill arising from the acquisition of PSA Marine's offshore business in 2007 and carrying value of the Group's fleet of vessels will be impaired. While the impairment amount is to be finally determined by year end, it is expected that these impairments will have a material adverse impact on the Group's financial results for 4th Quarter FY2016 and 12 months ending 31 December 2016.

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 nine months financial period ended 30 September 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	-	86,788
PaxOcean Engineering Zhoushan Co., Ltd	-	4,300
DP Shipbuilding and Engineering Pte. Ltd.	28	7,954
Kuok (Singapore) Ltd	-	1,531
KSL Corporate Services Pte Ltd	-	61
Sea Puffin Pte. Ltd.	-	64
DDW-Pax Ocean Shipyard Pte Ltd	264	740
GWC Commercial Pte Ltd (f.k.a Midpoint Properties Limited)	-	1,572
PSM Perkapalan Sdn Bhd	-	229
PT. Drydocks World Pertama	-	55
Raffles Bunkering Pte Ltd	-	123
PACC Ship Managers Pte. Ltd.	-	145
TOTAL	292	103,562

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 nine months ended 30 September 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 November 2016