



SWIBER HOLDINGS LIMITED

Financial Statements And Dividends Announcement

**For The Second Quarter And Six Months Ended
30 June 2012**

UNAUDITED SECOND QUARTER ("2Q2012") FINANCIAL STATEMENT AND DIVIDENDS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012 ("6M2012").

1(a)(i) Consolidated Income Statement

	Group			Group		
	2Q2012 US\$'000	2Q2011 US\$'000	Change	HY2012 US\$'000	HY2011 US\$'000	Change
Revenue	229,552	180,585	27.1%	423,978	331,209	28.0%
Cost of sales	(196,895)	(153,949)	27.9%	(352,890)	(280,149)	26.0%
Gross profit	32,657	26,636	22.6%	71,088	51,060	39.2%
Other operating income	11,486	7,458	54.0%	9,130	18,481	-50.6%
Administrative expenses	(13,506)	(11,546)	17.0%	(27,322)	(24,232)	12.8%
Other operating expenses	(1,599)	(2,224)	-28.1%	(2,803)	(6,672)	-58.0%
Share of profit/ (loss) of associates and joint ventures	4,119	(455)	N/M	6,595	2,549	158.7%
Finance costs	(7,258)	(2,824)	157.0%	(13,500)	(10,620)	27.1%
Profit before tax	25,899	17,045	51.9%	43,188	30,566	41.3%
Income tax expenses	(4,985)	(4,445)	12.1%	(9,724)	(6,113)	59.1%
Profit for the period	20,914	12,600	66.0%	33,464	24,453	36.9%
Attributable to :						
Owners of the company	15,112	7,410	103.9%	23,759	17,078	39.1%
Non-controlling interests	5,802	5,190	11.8%	9,705	7,375	31.6%
	20,914	12,600		33,464	24,453	
Gross profit margin	14.2%	14.7%		16.8%	15.4%	
Net profit margin	9.1%	7.0%		7.9%	7.4%	
EBITDA* (US\$'000)	40,064	21,557		69,632	45,777	
EBITDA* margin	17.5%	11.9%		16.4%	13.8%	

* : Denotes earnings before interest, taxes, depreciation and amortization.

N/M : Not Meaningful

1(a)(i) Consolidated Statement of Comprehensive Income

	Group			Group		
	2Q2012 US\$'000	2Q2011 US\$'000	Change	HY2012 US\$'000	HY2011 US\$'000	Change
Profit for the period	20,914	12,600		33,464	24,453	
Other comprehensive income:						
(Loss)/ gain on cash flow hedges	(1,364)	(324)	N/M	(1,045)	775	N/M
Exchange differences on translation of foreign operations	(262)	535	N/M	150	873	N/M
Total comprehensive income for the period	19,288	12,811		32,569	26,101	
Total comprehensive income attributable to:						
Owners of the company	13,486	7,621	77.0%	22,862	18,726	22.1%
Non-controlling interests	5,802	5,190	11.8%	9,707	7,375	31.6%
Total	19,288	12,811		32,569	26,101	

1(a)(ii) Profit for the period is determined after charging/ (crediting) the followings:

	Group			Group		
	2Q2012 US\$'000	2Q2011 US\$'000	Change	HY2012 US\$'000	HY2011 US\$'000	Change
Charging:						
Bad debts written off	18	-	N/M	18	12	N/M
Interest on borrowings	5,052	925	446.2%	9,352	6,911	35.3%
Depreciation of property, plant and equipment	6,560	3,587	82.9%	12,598	8,300	51.8%
Employees' share options/ awards expense	182	596	N/M	623	1,393	N/M
Foreign exchange losses	-	1,481	N/M	1,748	5,607	N/M
Loss on disposal of property, plant and equipment	14	515	N/M	-	515	N/M
Crediting:						
Interest income	(295)	(546)	N/M	(734)	(773)	N/M
Fair value gain on financial liabilities designated as at fair value through profit or loss	(3,774)	(3,467)	8.9%	(1,986)	(10,391)	N/M
Foreign exchange gain	(1,734)	-	N/M	-	-	-
Gain on disposal of property, plant and equipment	-	-	-	(403)	(4)	N/M
Gain on disposal of associate	(4,934)	-	N/M	(4,934)	-	N/M
Gain on disposal of assets held for sale	-	(2,705)	N/M	-	(3,243)	N/M

N/M: Not Meaningful

1(b)(i) Statements of Financial Position

	Group		Company	
	6M2012 US\$'000	FY2011 US\$'000	6M2012 US\$'000	FY2011 US\$'000
ASSETS				
Current assets				
Cash and bank balances	129,163	116,458	19,969	8,476
Trade receivables	369,944	276,660	-	-
Construction contract work-in progress	5,010	4,768	-	-
Inventories	88,127	91,696	-	-
Other assets and receivables	212,808	118,832	1,094,947	764,116
Total current assets	805,052	608,414	1,114,916	772,592
Non-current assets				
Property, plant and equipment	519,667	552,736	413	583
Goodwill	309	309	-	-
Subsidiaries	-	-	249,628	249,628
Associates	122,680	110,447	33,336	33,428
Joint ventures	24,889	20,238	-	-
Other assets and receivables	79,013	82,808	15,595	16,305
Derivative financial instruments	2,479	-	2,879	-
Total non-current assets	749,037	766,538	301,851	299,944
Total assets	1,554,089	1,374,952	1,416,767	1,072,536

1(b)(i) Statements of Financial Position (cont'd)

	Group		Company	
	6M2012 US\$'000	FY2011 US\$'000	6M2012 US\$'000	FY2011 US\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade payables	106,435	154,782	-	-
Other payables	127,609	98,106	687,949	462,180
Bank loans	135,315	105,757	-	-
Bonds	133,262	128,445	133,262	128,445
Convertible loan notes	100,238	102,570	100,238	102,570
Finance leases	4,142	4,384	123	184
Income tax payable	13,642	8,608	518	143
Total current liabilities	620,643	602,652	922,090	693,522
Non-current liabilities				
Bank loans	80,990	76,625	-	-
Bonds	220,874	151,330	220,874	151,330
Finance leases	5,884	7,840	154	225
Derivative financial instruments	-	3,908	-	3,855
Deferred tax liabilities	9,012	9,005	18	19
Total non-current liabilities	316,760	248,708	221,046	155,429
Capital, reserves and non- controlling interests				
Share capital	208,245	158,006	208,245	158,006
Treasury shares	(1,643)	(2,507)	(1,643)	(2,507)
Hedging reserve	(3,036)	(1,991)	(3,036)	(1,991)
Translation reserve	688	538	-	-
Equity reserve	(7,582)	(8,206)	(63)	-
Employees' share option reserve	3,833	4,009	3,833	4,009
Retained earnings	233,331	209,314	66,295	66,068
Equity attributable to owners of the company	433,836	359,163	273,631	223,585
Non-controlling interests	182,850	164,429	-	-
Total equity	616,686	523,592	273,631	223,585
Total liabilities and equity	1,554,089	1,374,952	1,416,767	1,072,536

1(b)(ii) Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

Group		Group	
6M2012		FY2011	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
139,457	233,500	110,141	231,015

Amount repayable after one year

Group		Group	
6M2012		FY2011	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
86,874	220,874	84,465	151,330

The bank loans and finance leases are secured by:

- (i) First legal mortgage over certain vessels, apartments, furniture and office equipment.
- (ii) Assignment of all marine insurances in respect of the vessels mentioned above.
- (iii) Assignment of earnings/charter proceeds in respect of the vessels mentioned above.
- (iv) Lessors' title to the lease assets.

1(c) Consolidated Statement of Cash Flows

	Group	
	2Q2012 US\$'000	2Q2011 US\$'000
Operating activities		
Profit after income tax	20,914	12,600
Adjustments for :		
Income tax expenses	4,985	4,445
Bad debts written off	18	-
Depreciation of property, plant and equipment	6,560	3,587
Employees' share options/ awards expense	182	596
Fair value gain on financial liabilities designated as at fair value through profit and loss	(3,774)	(3,467)
Finance cost	7,258	2,824
Foreign exchange loss	(1,092)	519
Gain on disposal of assets held for sale	-	(2,705)
Loss on disposal of property, plant and equipment	14	515
Interest income	(295)	(546)
Gain on disposal of associate	(4,934)	-
Share of (profit)/ loss of associates and joint ventures	(4,119)	455
Operating cash flows before movements in working capital	<u>25,717</u>	<u>18,823</u>
Trade receivables	(33,539)	6,678
Construction work in progress	(1,264)	4,179
Inventories	(16,283)	(3,291)
Other assets and receivables	(26,484)	(33,395)
Trade payables	(43,696)	21,870
Other payables	38,080	17,363
Cash (used in)/ generated from operations	<u>(57,469)</u>	<u>32,227</u>
Income taxes paid	(2,416)	(7,201)
Interest expense paid	(6,250)	(2,824)
Net cash (used in)/ provided by operating activities	<u>(66,135)</u>	<u>22,202</u>
Investing activities		
Interest income received	295	546
Disposal of subsidiary	-	3,916
Dividend received from associates/ joint ventures	2,286	2,241
Proceeds on disposal of property, plant and equipment	-	4,490
Proceeds from disposal of associate	5,200	-
Proceeds on disposal of assets held for sale	-	4,136
Purchases of property, plant and equipment	(34,805)	(60,260)
Purchases of assets held for sale	-	(223)
Investment in associates	(10,681)	-
Net cash used in investing activities	<u>(37,705)</u>	<u>(45,154)</u>

1(c) Consolidated Statement of Cash Flows (cont'd)

	Group	
	2Q2012	2Q2011
	US\$'000	US\$'000
Financing activities		
Pledged deposits	13,300	(1,695)
Proceeds on issuance of bonds	64,461	-
Redemption of preference shares issued by a subsidiary	(1,500)	-
Repayment of obligations under finance leases	(1,036)	(1,145)
New bank loans raised	131,191	245,550
Repayment of bank loans	(112,558)	(239,759)
Contribution from non-controlling interest of subsidiary	13,171	-
Net cash provided by financing activities	<u>107,029</u>	<u>2,951</u>
Net increase/ (decrease) in cash and cash equivalents	3,189	(20,001)
Cash and cash equivalents at beginning of the period	114,110	114,105
Effect of exchange rate changes on the balance of cash held in foreign currencies	(59)	70
Cash and cash equivalents at end of the period	<u>117,240</u>	<u>94,174</u>
Cash and cash equivalents consist of:		
Cash at bank	116,870	94,072
Fixed deposits	12,025	13,280
Cash on hand	268	65
	<u>129,163</u>	<u>107,417</u>
Less: Pledged cash placed with banks	(11,923)	(13,243)
Total	<u>117,240</u>	<u>94,174</u>

1(d)(i) Statements of Changes in Equity

	Share capital	Treasury shares	Hedging reserve	Translation reserve	Equity reserve	Employees' share option reserve	Retained earnings	Equity attributable to owners of the company	Non-controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
GROUP										
Balance at 1 January 2012	158,006	(2,507)	(1,991)	538	(8,206)	4,009	209,314	359,163	164,429	523,592
Total comprehensive income for the period	-	-	(1,045)	150	-	-	23,759	22,864	9,705	32,569
Proceeds from shares issued	50,239	-	-	-	-	-	-	50,239	-	50,239
Value of employee services received for issue of share options	-	-	-	-	-	(176)	-	(176)	-	(176)
Performance shares awarded using treasury shares	-	864	-	-	(63)	-	-	801	-	801
Change of interest in subsidiary	-	-	-	-	687	-	3,479	4,166	13,216	17,382
Redemption of preference shares issued by a subsidiary	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Dividends paid on preference shares issued by a subsidiary	-	-	-	-	-	-	(3,221)	(3,221)	-	(3,221)
Balance at 30 June 2012	208,245	(1,643)	(3,036)	688	(7,582)	3,833	233,331	433,836	182,850	616,686
Balance at 1 January 2011	158,006	(2,507)	(1,704)	508	(8,206)	-	179,569	325,666	30,606	356,272
Total comprehensive income for the period	-	-	775	873	-	-	17,078	18,726	7,375	26,101
Value of employee services received for issue of share options	-	-	-	-	-	1,393	-	1,393	-	1,393
Balance at 30 June 2011	158,006	(2,507)	(929)	1,381	(8,206)	1,393	196,647	345,785	37,981	383,766
COMPANY										
Balance at 1 January 2012	158,006	(2,507)	(1,991)	-	-	4,009	66,068	223,585	-	223,585
Total comprehensive income for the period	-	-	(1,045)	-	-	-	227	(818)	-	(818)
Proceeds from shares issued	50,239	-	-	-	-	-	-	50,239	-	50,239
Value of employee services received for issue of share options	-	-	-	-	-	(176)	-	(176)	-	(176)
Performance shares awarded using treasury shares	-	864	-	-	(63)	-	-	801	-	801
Balance at 30 June 2012	208,245	(1,643)	(3,036)	-	(63)	3,833	66,295	273,631	-	273,631
Balance at 1 January 2011	158,006	(2,507)	(1,704)	-	-	-	6,935	160,730	-	160,730
Total comprehensive income for the period	-	-	775	-	-	-	1,018	1,793	-	1,793
Value of employee services received for issue of share options	-	-	-	-	-	1,393	-	1,393	-	1,393
Balance at 30 June 2011	158,006	(2,507)	(929)	-	-	1,393	7,953	163,916	-	163,916



1(d)(ii) Changes in the company's share capital

A) US\$100.0 MILLION 5% CONVERTIBLE BONDS DUE IN 2014

As announced via SGXNET on 16 October 2009, Swiber Holdings Limited (the "Company") had on 16 October 2009 issued US\$100.0 million 5% convertible bonds due in 2014 (the "Convertible Bonds" or "Convertible Loan Notes"). Key feature of the Convertible Bonds is as follow:

"The Convertible Bonds may be converted at the option of bondholders at any time on and from November 26, 2009 to October 6, 2014, at the current conversion price of S\$1.14, into fully paid-up ordinary shares of the Company at the fixed exchange rate of US\$1.00 = S\$1.44. The conversion price will be reset on each interest payment date (the "Reset Date") based on the average market price, defined as the Volume Weighted Average Price of shares for up to 20 consecutive trading days ("VWAP") immediately preceding the relevant Reset Date."

Due to the reset feature on conversion price, the Company does not deliver fixed amount of equity for a fixed number of bonds based on the prevailing conversion rate. Therefore, it will not be able to determine the aggregate number of shares that may be issued on conversion of all the outstanding convertibles as at the end of current financial period reported on.

On 23 March 2012, the conversion price has been reset downwards to the VWAP of S\$0.841.

For the purpose of illustration, assuming that all the Convertible Bonds are converted at current conversion price of S\$0.84, the aggregate number of shares that may be issued on conversion would be approximately 172,413,793. This represents approximately 28.4% of the Company's existing share capital of 607,457,666 shares (net of treasury shares).

B) SHARE OPTION SCHEME

Date of grant	1 January 2012	Granted	30 June 2012	Exercise price per share
26-Jan-2011	15,000,000	-	15,000,000	0.97

The above-mentioned share options were all granted to the directors of the Company.

Validity period of the options:

- Exercisable after the first anniversary of the Date of Grant of the options.
- A period of five (5) years commencing from the Date of Grant of the options.

1(d)(ii) Changes in the company's share capital. (cont'd)

C) PERFORMANCE SHARE PLAN

Date of grant	1 January 2012	Granted	Vested	30 June 2012
26-Jan-2011	3,095,000	-	(1,031,666)	2,063,334

Validity period of the awards:

(a) Vesting period : 3 years

(b) Release schedule : one third of the Awards shall be vested in each year on the anniversary of the Awards

1(d)(iii) Issued shares (excluding treasury shares)

	6M2012	FY2011
Total number of issued shares	607,457,666	505,355,000

1(d)(iv) Treasury shares

	6M2012	FY2011
Total number of treasury shares as at 30 June 2012 and 31 December 2011	1,963,334	2,995,000

2. Audit

Except for the comparative balance sheets of the Company and its subsidiaries (the "**Group**") and of the Company as at 31 December 2011, the financial statements have not been audited or reviewed by the Company's auditors.

3. Auditors' report

Not applicable.

4. Accounting policies.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as those applied in the audited financial statement for the year ended 31 December 2011.

5. Changes in the accounting policies.

There are no changes in the accounting policies and methods of computation.

6. Earnings per ordinary share

	Group		Group	
	2Q2012	2Q2011	6M2012	6M2011
Net profit after tax attributable to owners of the Company	15,112	7,410	23,759	17,078
Earnings per share				
a) Based on weighted average number of ordinary shares on issue (US\$ cents)	2.5	1.5	4.0	3.4
b) Based on fully diluted basis (US\$ cents)	2.5*	0.8	3.0	1.4
Weighted average number of shares applicable to basic earnings per share ('000)	594,359	505,355	594,359	505,355
Weighted average number of shares based on fully diluted basis ('000)	594,359	631,637	778,682	631,637

* Convertible loan notes were not included in the computation of diluted earnings per share because they were anti-dilutive.

7. Net asset value

	Group		Company	
	6M2012	FY2011	6M2012	FY2011
Net asset value (US\$'000)	433,836	359,163	273,631	223,585
Total number of shares issued ('000)	607,458	505,355	607,458	505,355
Net asset value per share (US\$ cents per share)	71.4	71.1	45.0	44.2

8. Review of the group performance

Consolidated Income Statement and Statement of Comprehensive Income

(a) Revenue

HY2012 vs HY2011/ 2Q2012 vs 2Q2011

Group's revenue increased by US\$92.8 million or 28.0%, to US\$424.0 million in HY2012 compared to US\$331.2 million for the corresponding period ended 30 June 2011 ("**HY2011**"). For 2Q2012, Group's revenue was US\$229.6 million, 27.1% higher than the US\$180.6 million recorded in second quarter 2011 ("**2Q2011**"). The strong growth in revenue for the Group was driven by progressive revenue recognition from the offshore construction contracts awarded to the Group in South Asia and Southeast Asia region.

(b) Cost of sales and gross profit

HY2012 vs HY2011/ 2Q2012 vs 2Q2011

With higher revenue earned, cost of sales increased by US\$72.8 million or 26.0%, from US\$280.1 million in HY2011 to US\$352.9 million in HY2012. For 2Q2012, cost of sales increased by US\$42.9 million or 27.9%, from US\$154.0 million in 2Q2011 to US\$196.9 million in 2Q2012. Cost of sales comprises mainly of charter hire, sub-contractor cost, material cost, salaries and labour related cost and consumables. Overall gross profit margin remained in the range of 15% - 16%.

(c) Other operating income

HY2012 vs HY2011

Other operating income decreased by US\$9.4 million or 50.6%, from US\$18.5 million in HY2011 to US\$9.1 million in HY2012. Other operating income in HY2012 included gain on disposal of associate of US\$4.9 million and gain on changes in fair value of financial derivative embedded in the Convertible Bonds of US\$4.1 million. For HY2011, other operating income included gain on changes in fair value of financial derivative embedded in the Convertible Bonds of US\$10.4 million, gain on assets held for sale of US\$3.2 million and realized gain on interest rate swap contract (related to the multicurrency medium term note) of US\$2.9 million in 1Q 2011.

2Q2012 vs 2Q2011

Other operating income in 2Q2012 included gain on disposal of associate of US\$4.9 million and gain on changes in fair value of financial derivative embedded in the Convertible Bonds of US\$4.1 million. For 2Q2011, other operating income included gain on assets held for sale of US\$2.7 million and on changes in fair value of financial derivative embedded in the Convertible Bonds of US\$3.5 million.

8. Review of the group performance (cont'd)

(d) Administrative expenses

HY2012 vs HY2011/ 2Q2012 vs 2Q2011

Administrative expenses for HY2012 increased by US\$3.1 million or 12.8%, from US\$24.2 million in HY2011 to US\$27.3 million in HY2012. As for 2Q2012, administrative expenses increased by US\$1.9 million or 17.0%, from US\$11.6 million in 2Q2011 to US\$13.5 million in 2Q2012. The increase was due mainly to inclusion of first three months depreciation of an office building acquired at end of 1Q2011 and increase in head count to support the Group business expansion. As at 30 June 2012 and 30 June 2011, the Group had 2,356 and 1,822 employees, respectively (inclusive of onshore and offshore personnel).

(e) Other operating expenses

HY2012 vs HY2011/ 2Q2012 vs 2Q2011

Other operating expenses decreased by approximately US\$3.9 million or 58.0%, from US\$6.7 million in HY2011 to US\$2.8 million in HY2012. As for 2Q2012, other operating expenses decreased by approximately US\$600,000 or 28.1%, from US\$2.2 million in 2Q2011 to approximately US\$1.6 million in 2Q2012. The decrease was due mainly to the foreign exchange losses of US\$5.6 million and US\$1.7 million recorded in HY2011 and 2Q2011 respectively. The foreign exchange losses incurred in HY2011/2Q2011 was due to:

- i) the partial unwinding of cash flow hedges in relation to the MTN series 3 and series 4 in 1Q2011. As a result of the partial unwinding the cash flow hedges, the Company revalued the MTN series 3 and series 4 that are denominated in Singapore dollar at period end exchange rate and the said foreign exchange differences were recognized in income statement.
- ii) depreciation of United State Dollar against Singapore Dollar.

(f) Share of profit/ (loss) from associates and joint ventures

HY2012 vs HY2011/ 2Q2012 vs 2Q2011

Share of profit of associates and joint ventures for HY2012 increased by US\$4.1 million or 158.7%, from US\$2.5 million in HY2011 to US\$6.6 million in HY2012. As for 2Q2012, the Group recorded share of profit of associates and joint ventures of US\$4.1 million as compared to share of losses of approximately US\$455,000 in 2Q2011. The increase was due to certain associates and joint ventures deliver positive results.

8. Review of the group performance (cont'd)

(g) Finance costs

HY2012 vs HY2011/ 2Q2012 vs 2Q2011

Finance cost for HY2012 increased by US\$2.9 million or 27.1%, from US\$10.6 million in HY2011 to US\$13.5 million in HY2012. As for 2Q2012, finance costs increased by US\$4.5 million or 157.0%, from US\$2.8 million in 2Q2011 to US\$7.3 million in 2Q2012. The higher interest expense incurred was due mainly to higher bank borrowing and higher principal amount and interest rate of the multicurrency medium term notes series 7, series 8 and series 9 issued in quarter 3 of 2010, quarter 4 of 2010 and quarter 1 of 2011, respectively.

(h) Profit for the period

HY2012 vs HY2011/ 2Q2012 vs 2Q2011

With the above, profit for HY2012 increased by US\$9.0 million or 36.9%, from US\$24.5 million in HY2011 to US\$33.5 million in HY2012. As for 2Q2012, profit increased by approximately US\$8.3 million or 66.0%, from US\$12.6 million in 2Q2011 to US\$20.9 million in 2Q2012.

Statements of Financial Position

(i) Trade receivables

Revenue is recognized based on percentage of completion method. This is computed based on the percentage of costs incurred to date on contracts to their estimated total costs.

Invoices are issued to customer upon the achievement of billing milestones.

Due to the strong growth of revenue in HY2012, the Group's trade receivables increased by US\$93.2 million from US\$276.7 million as at 31 December 2011 to US\$369.9 million as at 30 June 2012. The timing difference between the achievement of milestone and revenue recognized for projects in progress has resulted in an increase in trade receivables. Subsequent to 30 June 2012 the Group received settlement and billing of approximately US\$86.7 million.

(j) Inventories

Inventories decreased by US\$3.6 million, from US\$91.7 million as at 31 December 2011 to US\$88.1 million as at 30 June 2012, the decrease was due to continued consumption of materials in project execution.

8. Review of the group performance (cont'd)

(k) Other assets and receivables (current)

- i) Other current assets and receivables increased by US\$94.0 million from US\$118.8 million as at 31 December 2011 to US\$212.8 million as at 30 June 2012. The increase was due mainly to advances to/ amounts due from certain joint ventures and associates.

(l) Property, plant and equipment

Property, plant and equipment decreased by US\$33.0 million from US\$552.7 million as at 31 December 2011 to US\$519.7 million as at 30 June 2012. The decrease was due to partial disposal of shares in a subsidiary with retention of an associate status.

Depreciation increased by US\$4.3 million or 51.8%, from US\$8.3 million in HY2011 to US\$12.6 million in HY2012. The increase was due mainly to addition of the derrick pipelay barge in financial year 2011.

Assets under construction are not depreciated.

(m) Associates

Investment in associates increased by US\$12.3 million, from US\$110.4 million as at 31 December 2011 to US\$122.7 million as at 30 June 2012. The increase was due mainly to share of profit of associates and reclassification of US\$10.3 million due from associates as quasi-equity.

(n) Other assets and receivables (non-current)

Other non-current assets and receivables decreased by US\$3.8 million from US\$82.8 million as at 31 December 2011 to US\$79.0 million as at 30 June 2012, the decrease was due mainly to amortization of capitalized vessel cost.

Other assets and receivables include seller credits granted under the sales and leaseback transactions. The Group has entered into sales and lease back agreements ("Agreements") with several outside parties. Under the Agreements, the Group has granted each buyer of the vessel credit facilities in connection with their purchase of vessel. The seller credits shall serve as security for the obligations of the Group under the respective bareboat charter parties. These deposits will be refunded in the event that the Company decides not to seek for renewal upon the expiry of the Agreement. As such, the seller credits are recorded as deposits in other receivables.

8. Review of the group performance (cont'd)

(o) Total current and non-current borrowings

Total current and non-current borrowings include bank loans, bonds, convertible loan notes and finance leases.

Total current and non-current borrowings increased by US\$103.7 million from US\$577.0 million as at 31 December 2011 to US\$680.7 million as at 30 June 2012. The increase was due to proceed from bonds issued, and higher bank borrowings and finance leases to finance the acquisition of office building and equipment.

Net debt-to-equity ratio is as follows:

Financial period ended	30 June 2012	31 March 2012	31 December 2011	30 September 2011	30 June 2011
Net debt-to-equity ratio	0.89	0.80	0.88	0.85	1.06

For the 6M2012, the Group has the following outstanding bonds and convertible loan notes:

Bonds

Multicurrency medium term note

	Tenure (year)	Interest rate	Due Date	Group		
				6M2012 S\$'000	6M2012 US\$'000	FY2011 US\$'000
<u>Current</u>						
- series 7	2	5.75%	31 August 2012	110,000	86,450	83,694
- series 10	1	5.0%	25 October 2012	60,000	46,812	44,751
				170,000	133,262	128,445
<u>Non-current</u>						
- series 8	3	5.8%	11 October 2013	80,000	62,444	60,620
- series 9	3.5	5.9%	25 July 2014	120,000	93,309	90,710
- series 11	3	6.25%	8 June 2015	85,000	65,121	
				285,000	220,874	151,330

Cross currency interest rate swap contracts relating to the above-mentioned issued notes have been established and creating an effective cash flow hedge against the foreign currency and interest rate movement.

8. Review of the group performance (cont'd)

(o) Total current and non-current borrowings (cont'd)

Convertible loan notes

	Group		Due Date
	6M2012 US\$'000	FY2011 US\$'000	
<u>Non-current</u>			
Nominal value of the Convertible Bonds	100,000	100,000	October 2014
Fair value through profit or loss	238	2,570	
	100,238	102,570	

The decreased amount of Convertible Bonds represents changes in fair value of financial derivative embedded in the Convertible Bonds of US\$2.3 million in HY2012, such changes in fair value was accounted for at fair value through profit or loss.

(p) Other payables (current)

Other current payables increased by US\$29.5 million from US\$98.1 million as at 31 December 2011 to US\$127.6 million as at 30 June 2012. The increase was due mainly to accrual of project related expenses.

Consolidated Statement of Cash Flows

(q) Cash flow from operating activities

In 2Q2012, the Group net cash used in operating activities amounted to US\$66.1 million, this comprised operating cash flow before working capital changes of US\$25.7 million, and adjusted for net working capital outflows of US\$83.1 million and income tax and interest payment of US\$8.7 million. The net working capital outflows were mainly the result of the followings:

- (i) increase in trade receivables, other assets and receivables and construction work in progress of US\$61.3 million;
- (ii) net decrease in trade and other payables of US\$5.6 million; and
- (iii) decrease in inventories of US\$16.3 million.

8. Review of the group performance (cont'd)

(r) Cash flow used in investing activities

In 2Q2012, the Group's net cash used in investing activities amounted to US\$37.7 million, which was due mainly to purchase of property, plant and equipment and capital expenditure of US\$34.8 million. This cash out flow was however partially offset by proceeds from disposal of associate of US\$5.2 million and dividend received from associates of US\$2.3 million.

(s) Cash flow from financing activities

In 2Q2012, the Group recorded a net cash inflow from financing activities of US\$107.0 million, which was due to new bank borrowings amounting to US\$131.2 million and proceeds on issuance of bond of US\$64.5 million. These cash inflow was however partially offset by repayment of bank loans amounting to US\$112.6 million.

9. Forecast or a prospect statement

Not applicable.

10. Commentary of the significant trends and competitive conditions of the industry.

Notwithstanding that world economy remains uncertain, largely due to financial instability of the European countries, global offshore oil production has been forecasted to grow steadily, and there is also the constant need for repair and maintenance of oil field infrastructure to ensure continue production from the oil wells. The growth in offshore production is expected to drive global operation and capital expenditure. With oil prices forecasted to be at sustainable level, the demand for offshore engineering, procurement, installation and construction and support services should remain robust.

As of August 2012, the Group has an order book of approximately US\$1.6 billion and it is expected to contribute to the Group's results over the next two years, barring unforeseen circumstances.

The Group continues to strengthen its position as an experienced and reputable offshore service provider within the market and will continue to penetrate into new market. Offshore exploration and development is forecast to increase in prominence in the near term. With the right resources, a strong fleet of vessels and experienced management team, the Group is well positioned to bid for major contracts and continue to focus on winning new contracts.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended 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) Book Closure Date.

Not applicable.

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

No dividend for the six months ended 30 June 2012 is declared or recommended.

13. Interested person transaction

There was no interested person transaction during the period under review.

Note: Rule 920(1)(a)(ii) of the Listing Manual – An issuer must announce the aggregate value of transactions conducted pursuant to the general mandate for interested person transactions for the financial periods which it is required to report on pursuant to Rule 705.



STATEMENT BY DIRECTORS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the **second quarter and six months' financial results for the period ended 30 June 2012** to be false or misleading in any material aspect.

On behalf of the Board of Directors

Raymond Kim Goh
Director
Executive Chairman

Francis Wong Chin Sing
Director
Group Chief Executive Officer and President

BY ORDER OF THE BOARD

Lee Bee Fong
Company secretary
14 August 2012