



SWIBER HOLDINGS LIMITED

Financial Statements And Dividends Announcement

**For The Second Quarter And Six Months Ended
30 June 2014**



UNAUDITED FINANCIAL STATEMENT AND DIVIDENDS ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2014 (“2Q2014”).
1(a)(i) Consolidated Income Statement

	Group			Group		
	2Q2014 US\$'000	2Q2013 US\$'000	Change	HY2014 US\$'000	HY2013 US\$'000	Change
Revenue	219,334	242,062	-9.4%	418,832	551,805	-24.1%
Cost of sales	(202,268)	(204,946)	-1.3%	(392,756)	(464,825)	-15.5%
Gross profit	17,066	37,116	-54.0%	26,076	86,980	-70.0%
Other operating income	19,445	8,502	128.7%	112,427	14,892	654.9%
Administrative expenses	(15,178)	(18,002)	-15.7%	(29,893)	(32,682)	-8.5%
Other operating expenses	(340)	(3,617)	-90.6%	(27,605)	(9,682)	185.1%
Finance expenses	(15,953)	(11,485)	38.9%	(29,793)	(20,758)	43.5%
Share of profit of associates and joint ventures	6,789	5,646	20.2%	16,780	10,374	61.8%
Profit before tax	11,829	18,160	-34.9%	67,992	49,124	38.4%
Income tax expenses	(1,691)	(6,348)	-73.4%	(5,019)	(11,716)	-57.2%
Profit for the period	10,138	11,812	-14.2%	62,973	37,408	68.3%
Attributable to :						
Owners of the company	10,111	4,160	143.1%	58,179	24,229	140.1%
Perpetual securities holders	-	1,563	N/M	1,385	3,099	-55.3%
Non-controlling interests	27	6,089	-99.6%	3,409	10,080	-66.2%
	10,138	11,812	-14.2%	62,973	37,408	68.3%
Gross profit margin	7.8%	15.3%		6.2%	15.8%	
Net profit margin	4.6%	4.9%		15.0%	6.8%	
EBITDA* (US\$'000)	39,212	35,248		115,685	79,554	
EBITDA* margin	17.9%	14.6%		27.6%	14.4%	

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

N/M : Not Meaningful



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

	Group			Group		
	2Q2014 US\$'000	2Q2013 US\$'000		HY2014 US\$'000	HY2013 US\$'000	
Profit for the period	10,138	11,812		62,973	37,408	
Other comprehensive income:						
Cash flow hedges	(1,352)	1,208	-211.9%	(692)	2,198	-131.5%
Currency translation differences on translation of foreign operations	1,131	(449)	71.4%	(606)	1,359	-144.6%
Total comprehensive income for the period	9,917	12,571		61,675	40,965	
Total comprehensive income attributable to:						
Owners of the company	9,890	4,919	101.1%	56,881	27,786	104.7%
Perpetual securities holders	-	1,563	N/M	1,385	3,099	-55.3%
Non-controlling interests	27	6,089	-99.6%	3,409	10,080	-66.2%
Total	9,917	12,571		61,675	40,965	

*N/M : Not Meaningful

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

	Group			Group		
	2Q2014 US\$'000	2Q2013 US\$'000		HY2014 US\$'000	HY2013 US\$'000	
Charging:						
Bad debts written off	-	23	N/M	-	31	N/M
Depreciation of property, plant and equipment	12,807	8,169	56.8%	20,590	16,474	25.0%
Employees' share options/ awards expense	254	746	-66.0%	716	1,076	-33.5%
Fair value loss on financial instruments designated as at fair value through profit or loss - net	-	4,361	N/M	17,365	9,214	88.5%
Interest on borrowings	14,575	8,919	63.4%	27,104	13,956	94.2%
Property, plant and equipment written off	-	11	N/M	-	11	N/M
	<hr/>			<hr/>		
Crediting:						
Bad debts recovered	-	(38)	N/M	-	(38)	N/M
Interest income	(835)	(810)	3.1%	(1,843)	(1,666)	10.6%
Fair value gain on financial instruments designated as at fair value through profit or loss	(3,487)	-	N/M	-	-	-
Foreign exchange gains - net	(4,586)	(123)	3628.5%	(4,246)	(3,007)	41.2%
Gain on disposal of property, plant and equipment	(1,650)	(4,713)	-65.0%	(1,650)	(6,119)	-73.0%
Gain on disposal of subsidiaries	-	-	-	(95,056)	-	N/M
Gain on disposal of associate	(4,011)	-	N/M	(4,011)	-	N/M
Gain on disposal of joint venture	(5,067)	-	N/M	(5,067)	-	N/M
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N/M: Not Meaningful

1(b)(i) Statements of Financial Position

	Group		Company	
	6M2014	FY2013	6M2014	FY2013
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and bank balances	132,228	162,413	22,821	20,553
Trade receivables	654,788	510,576	-	-
Other receivables	297,381	307,441	943,958	608,759
Inventories	4,933	10,391	-	-
Derivative financial instruments	14,018	56,830	14,018	56,830
Assets held for sale	-	771	-	-
Construction contract work-in-progress	212,020	205,231	-	-
Total current assets	1,315,368	1,253,653	980,797	686,142
Non-current assets				
Derivative financial instruments	3,785	1,704	282	-
Investment in associates	147,409	106,358	103,749	73,336
Investment in joint ventures	53,036	54,193	-	-
Investment in subsidiaries	-	-	128,619	249,628
Other receivables	233,254	150,441	28,173	27,810
Property, plant and equipment	539,382	414,302	59	92
Goodwill	309	309	-	-
Total non-current assets	977,175	727,307	260,882	350,866
Total assets	2,292,543	1,980,960	1,241,679	1,037,008

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

	Group		Company	
	6M2014	FY2013	6M2014	FY2013
	US\$'000	US\$'000	US\$'000	US\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade payables	261,235	228,787	-	-
Other payables	176,103	111,621	247,637	259,098
Income tax liabilities	19,725	32,338	-	-
Bank borrowings	178,435	258,130	-	-
Derivative financial instruments	2,274	3,638	2,274	3,638
Notes payables	169,999	94,347	169,999	94,347
Convertible bonds	34,399	37,500	34,399	37,500
Finance leases	22,518	3,469	37	36
Total current liabilities	864,688	769,830	454,346	394,619
Non-current liabilities				
Derivative financial instruments	4,284	8,515	2,348	6,162
Bank borrowings	82,618	69,763	-	-
Notes payables	483,239	371,811	364,958	255,748
Finance leases	163,478	2,708	31	48
Deferred income tax liabilities	1,913	16,769	-	-
Total non-current liabilities	735,532	469,566	367,337	261,958
Capital, reserves and non-controlling interests				
Share capital	208,246	208,246	208,246	208,246
Treasury shares	-	(780)	-	(780)
Perpetual capital securities	61,933	63,601	61,933	63,601
Hedging reserve	(6,594)	(5,902)	(4,229)	(3,544)
Translation reserve	(1,122)	(517)	-	-
Equity reserve	(619)	(7,899)	-	-
Employees' share option reserve	6,137	6,138	6,137	6,138
Retained earnings	323,844	282,868	147,909	106,770
Equity attributable to owners of the Company and perpetual capital securities holders	591,825	545,755	419,996	380,431
Non-controlling interests	100,498	195,809	-	-
Total equity	692,323	741,564	419,996	380,431
Total liabilities and equity	2,292,543	1,980,960	1,241,679	1,037,008

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

Amount repayable in one year or less, or on demand

Group		Group	
6M2014		FY2013	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
235,352	169,999	299,099	94,347

Amount repayable after one year

Group		Group	
6M2014		FY2013	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
246,096	483,239	72,471	371,811

The bank loans and finance leases are secured by:

- (i) First legal mortgage over certain vessels and 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	
	2Q2014	2Q2013
	US\$'000	US\$'000
Operating activities		
Profit after income tax	10,138	11,812
Adjustments for :		
Income tax expense	1,691	6,348
Bad debts written off	-	22
Depreciation of property, plant and equipment	12,807	8,169
Employees' share options/ awards expense	254	746
Fair value loss on financial instruments designated as at fair value through profit and loss	(3,487)	4,361
Finance expense	15,953	4,683
Foreign exchange gains	(5,121)	(534)
Gain on disposal of property, plant and equipment	(1,650)	(4,713)
Interest income	(835)	(810)
Gain on disposal of associate	(2,363)	-
Property, plant and equipment written off	-	11
Share of profit of associates and joint ventures - net	(6,789)	(5,646)
Operating cash flows before movements in working capital	20,598	24,449
Trade receivables	(84,787)	4,593
Construction work in progress	35,888	(55,334)
Inventories	6,353	63,696
Other assets and receivables	(73,344)	(64,741)
Trade payables	49,318	36,973
Other payables	(13,941)	(14,212)
Cash used in operations	(59,915)	(4,576)
Income taxes paid	(823)	(4,868)
Interest expense paid	(17,858)	(2,188)
Net cash used in operating activities	(78,596)	(11,632)
Investing activities		
Interest income received	1,020	810
Dividend received from associates and joint venture	1,084	2,340
Proceeds on disposal of property, plant and equipment	1,650	136,280
Proceeds from disposal of associate	2,270	-
Purchases of property, plant and equipment	(7,288)	(92,439)
Dividend paid	(14,550)	-
Net cash (used in)/ generated from investing activities	(15,814)	46,991



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

	Group	
	2Q2014	2Q2013
	US\$'000	US\$'000
Financing activities		
Pledged deposits	(2,991)	-
Proceeds on issuance of bonds	183,005	123,198
Redemption of preference shares issued by a subsidiary	-	(1,500)
Repayment of obligations under finance leases	(4,102)	(1,154)
New bank loans raised	135,102	234,117
Repayment of bank loans	(197,428)	(301,319)
Net cash generated from financing activities	<u>113,586</u>	<u>53,342</u>
Net increase in cash and cash equivalents	19,176	88,701
Cash and cash equivalents at beginning of the period	100,207	155,808
Effect of exchange rate changes on the balance of cash held in foreign currencies	(83)	(46)
Cash and cash equivalents at end of the period	<u>119,300</u>	<u>244,463</u>
Cash and cash equivalents consist of:		
Cash at bank	119,232	244,410
Fixed deposits	12,936	11,292
Cash on hand	60	45
	<u>132,228</u>	<u>255,747</u>
Less: Pledged cash placed with banks	(12,928)	(11,284)
Total	<u>119,300</u>	<u>244,463</u>

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

←----- Equity attributable to owners of the company ----->

	Share capital US\$'000	Treasury shares US\$'000	Hedging reserve US\$'000	Translation reserve US\$'000	Equity reserve US\$'000	Employees' share option reserve US\$'000	Retained earnings US\$'000	Perpetual capital securities US\$'000	Equity attributable to owners of the company US\$'000	Non-controlling interests US\$'000	Total US\$'000
GROUP											
Balance at 1 January 2014	208,246	(780)	(5,902)	(517)	(7,899)	6,138	282,868	63,601	545,755	195,809	741,564
Total comprehensive income for the period	-	-	(692)	(605)	(29)	-	58,179	1,385	58,238	3,440	61,678
Value of employee services received for issue of share options	-	-	-	-	-	716	-	-	716	-	716
Performance shares awarded using treasury shares	-	780	-	-	(63)	(717)	-	-	-	-	-
Change of interest in subsidiary	-	-	-	-	7,372	-	-	-	7,372	(94,351)	(86,979)
Redemption of preference shares issued by a subsidiary	-	-	-	-	-	-	-	-	-	(4,400)	(4,400)
Dividends paid on preference shares issued by a subsidiary	-	-	-	-	-	-	(2,653)	-	(2,653)	-	(2,653)
Interim dividends paid	-	-	-	-	-	-	(14,550)	-	(14,550)	-	(14,550)
Transaction costs relating to issuance of perpetual capital securities	-	-	-	-	-	-	-	(3,053)	(3,053)	-	(3,053)
Balance at 30 June 2014	208,246	-	(6,594)	(1,122)	(619)	6,137	323,844	61,933	591,825	100,498	692,323
Balance at 1 January 2013	208,246	(1,643)	(12,387)	(378)	(7,584)	4,236	227,356	63,627	481,473	184,106	665,579
Total comprehensive income for the period	-	-	2,198	1,359	-	-	34,309	3,099	40,965	10,080	51,045
Value of employee services received for issue of share options	-	-	-	-	-	1,082	-	-	1,082	-	1,082
Performance shares awarded using treasury shares	-	863	-	-	-	(863)	-	-	-	-	-
Change of interest in subsidiary	-	-	-	-	214	-	-	-	214	(210)	4
Redemption of preference shares issued by a subsidiary	-	-	-	-	-	-	-	-	-	(6,750)	(6,750)
Dividends paid on preference shares issued by a subsidiary	-	-	-	-	-	-	(1,475)	-	(1,475)	-	(1,475)
Interim dividends paid	-	-	-	-	-	-	(5,400)	-	(5,400)	-	(5,400)
Transaction costs relating to issuance of perpetual capital securities	-	-	-	-	-	-	-	(3,110)	(3,110)	-	(3,110)
Balance at 30 June 2013	208,246	(780)	(10,189)	981	(7,370)	4,455	254,790	63,616	513,749	187,226	700,975

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

COMPANY	Share capital US\$'000	Treasury shares US\$'000	Hedging reserve US\$'000	Translation reserve US\$'000	Equity reserve US\$'000	Employees' share option reserve US\$'000	Retained earnings US\$'000	Perpetual capital securities US\$'000	Equity attributable to owners of the company US\$'000	Non- controlling interests US\$'000	Total US\$'000
Balance at 1 January 2014	208,246	(780)	(3,544)	-	-	6,138	106,770	63,601	380,431	-	380,431
Total comprehensive income for the period	-	-	(685)	-	-	-	57,074	(1,668)	54,721	-	54,721
Proceeds from shares issued	-	-	-	-	-	-	-	-	-	-	-
Value of employee services received for issue of share options	-	-	-	-	-	716	-	-	716	-	716
Performance shares awarded using treasury shares	-	780	-	-	-	(717)	-	-	63	-	63
Interim dividends paid	-	-	-	-	-	-	(14,550)	-	(14,550)	-	(14,550)
Perpetual capital securities distribution payable and paid	-	-	-	-	-	-	(1,385)	-	(1,385)	-	(1,385)
Balance at 30 June 2014	208,246	-	(4,229)	-	-	6,137	147,909	61,933	419,996	-	419,996
Balance at 1 January 2013	208,246	(1,643)	(7,612)	-	-	4,236	67,199	63,627	334,053	-	334,053
Total comprehensive income for the period	-	-	1,296	-	-	-	1,044	3,099	5,439	-	5,439
Value of employee services received for issue of share options	-	-	-	-	-	1,082	-	-	1,082	-	1,082
Performance shares awarded using treasury shares	-	863	-	-	-	(863)	-	-	-	-	-
Transaction costs relating to issuance of perpetual capital securities	-	-	-	-	-	-	-	(3,110)	(3,110)	-	(3,110)
Balance at 30 June 2013	208,246	(780)	(6,316)	-	-	4,455	68,243	63,616	337,464	-	337,464

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**") 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.

As at 30 June 2014, US\$35,600,000 in aggregate principal amount of the Convertible Bonds is outstanding. The current Conversion Price per Share of the outstanding Convertible Bonds is S\$0.78.

For the purpose of illustration, assuming that all the Convertible Bonds are converted at current conversion price of S\$0.78, the aggregate number of shares that may be issued on conversion would be approximately 65,723,077 shares. This represents approximately 10.7% of the Company's existing share capital of 611,386,000 shares (net of treasury shares).

B) SHARE OPTION SCHEME

Date of grant	1 January 2014	Granted	30 June 2014	Exercise price per share
26-Jan-2011	15,000,000	-	15,000,000	S\$0.97
19-Mar-2013	15,000,000	-	15,000,000	S\$0.64

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

Validity period of the options:

- (a) Exercisable after the first anniversary of the Date of Grant of the options.
- (b) 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 2014	Granted	Vested	Cancelled	30 June 2014
26-Jan-2011	1,031,668	-	(896,668)	(100,000)	-
19-Mar-2013	6,000,000	-	(2,000,000)		4,000,000

The above-mentioned share awards were all granted to the senior management of the Company.

Validity period of the awards:

- (a) Vesting period : over 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)

	6M2014	FY2013
Total number of issued shares	<u>611,386,000</u>	608,489,333

1(d)(iv) Treasury shares

	6M2014	FY2013
Total number of treasury shares	<u>-</u>	<u>931,667</u>

On 27 January 2014, 931,667 treasury shares were transferred for the purpose of the performance share plan.

2. Audit

Except for the comparative balance sheets of the Company and its subsidiaries (the "**Group**") and of the Company as at 31 December 2013, 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 2013.

5. Changes in the accounting policies

The Group has adopted the new or revised Financial Reporting Standard ("**FRS**") and the interpretation of FRS that become effective for the entities with financial period commencing 1 January 2013. The adoption of these new and revised FRSs have no material impact to the result of the Group and of the Company for 2Q2014.

6. Earnings per ordinary share

	Group		Group	
	2Q2014	2Q2013	HY2014	HY2013
Net profit after tax attributable to owners of the Company	10,111	4,160	58,179	24,229
Earnings per share				
a) Based on weighted average number of ordinary shares on issue (US\$ cents)	1.7	0.7	9.5	4.0
b) Based on fully diluted basis (US\$ cents)	1.4	*0.7	8.3	*4.0
Weighted average number of shares applicable to basic earnings per share ('000)	610,389	607,744	609,398	608,347
Weighted average number of shares based on fully diluted basis ('000)	676,007	607,744	671,975	608,347 +

+

* Convertible Bonds, share options and share awards were not included in the computation of diluted earnings per share because they were anti-dilutive.

7. Net asset value

	Group		Company	
	6M2014	FY2013	6M2014	FY2013
Net asset value (US\$'000)	591,824	545,755	419,996	380,431
Total number of shares issued ('000)	611,386	608,489	611,386	608,489
Net asset value per share (US\$ cents per share)	96.8	89.7	68.7	62.5

8. Review of the Group's performance

Consolidated Income Statement and Statement of Comprehensive Income

(a) Revenue

HY2014 vs HY2013/ 2Q2014 vs 2Q2013

Revenues decreased by 24.1%, or US\$133.0 million, to US\$418.8 million in HY2014 compared to US\$551.8 million for the corresponding period ended 30 June 2013 ("**HY2013**"). For 2Q2014, the Group's revenue decreased by US\$22.8 million or 9.4%, from US\$242.1 million in second quarter ended 30 June 2013 ("**2Q2013**") to US\$219.3 million in 2Q2014. The decrease was due to significant revenue from on-going projects was recognized in FY2013 and recently awarded projects have not been commenced.

Revenue contributed by geographical area

	2Q2014	2Q2013	HY2014	HY2013
	US\$'000	US\$'000	US\$'000	US\$'000
South Asia	42,252	9,849	55,124	74,969
South East Asia	129,249	218,510	300,092	356,321
Latin America	40,630	9,002	55,503	90,783
Others	7,203	4,701	8,113	29,732
	219,334	242,062	418,832	551,805

(b) Cost of sales and gross profit

HY2014 vs HY2013/ 2Q2014 vs 2Q2013

Corresponding to lower revenue, cost of sales decreased by US\$72.0 million or 15.5%, from US\$464.8 million in HY2013 to US\$392.8 million in HY2014. As for 2Q2014, cost of sales decreased by \$2.6 million, 1.3% from US\$204.9 million in 2Q2013 to US\$202.3 million in 2Q2014.

Gross profit margin reduced from 15.8% in HY2013 to 6.2% in HY2014 and 15.3% in 2Q2013 to 7.8% in 2Q2014, this was due to lower revenue but fixed cost remained.

(c) Other operating income

HY2014 vs HY2013

Other operating income increased by US\$97.5 million or 654.9% , from US\$14.9 million in HY2013 to US\$112.4 million in HY2014, the increase was due to disposal of subsidiaries of \$95.1million.

2Q2014 vs 2Q2013

For 2Q2014, other operating income increased by US\$10.9 million or 128.7%, from US\$8.5 million in 2Q2013 to US\$19.4 million in 2Q2014, the increase in 2Q2014 was due mainly to higher foreign exchange gain of US\$4.6 million, gain on disposal of associate of US\$4.0 million, and fair value gain on financial instruments designated as at fair value through profit or loss of US\$3.5 million.

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

(d) Administrative expenses

HY2014 vs HY2013/ 2Q2014 vs 2Q2013

Administrative expenses decreased by approximately US\$2.8 million or 8.5% from US\$32.7 million in HY2013 to US\$29.9 million in HY2014. As for 2Q2014, administrative expenses decreased by US\$2.8 million or 15.7% from US\$18.0 million in 2Q2013 to US\$15.2 million in 2Q2014. This decrease is mainly due to reduction as a result of disposal of a group of subsidiaries.

(e) Other operating expenses

HY2014 vs HY2013/ 2Q2014 vs 2Q2013

Other operating expenses increased by approximately US\$17.9 million or 185.1% from US\$9.7 million in HY2013 to US\$27.6 million in HY2014. As for 2Q2014, other operating expenses decreased by US\$3.3 million or 90.6% from US\$3.6 million in 2Q2013 to US\$0.3 million in 2Q 2014. Increase in HY2014 was due mainly to net fair value loss on financial instruments designated as at fair value through profit or loss of US\$17.4 million

(f) Finance expenses

HY2014 vs HY2013/ 2Q2014 vs 2Q2013

Finance expenses increased by approximately US\$9.0 million or 43.5%, from US\$20.8 million in HY2013 to US\$29.8 million in HY2014. As for 2Q2014, finance expenses increased by US\$4.5 million or 38.9% from US\$11.5 million in 2Q2013 to US\$16.0 million in 2Q2014 primarily as a result of higher borrowing and issuance of debt securities. Finance expenses include interest on bank borrowings, and finance charges/ debt issuance cost on debt securities. Total borrowings as at 30 June 2014 were US\$1,134.7 million as compared to 30 June 2013 of US\$898.8 million.

(g) Share of profit of associates and joint ventures

HY2014 vs HY2013/ 2Q2014 vs 2Q2013

Share of profit of associates and joint ventures increased by US\$6.4 million or 61.8%, from US\$10.4 million in HY2013 to US\$16.8 million in HY2014. As for 2Q2014, share of profits increased by US\$1.2 million or 20.2% from US\$5.6 million in 2Q2013 to US\$6.8 million in 2Q2014. The increase was due to certain associates delivering positive results.

Statements of Financial Position

(h) Trade receivables and construction work in progress ("CWIP")

Revenue is recognized based on percentage of completion method. This is computed based on the percentage of cost incurred to date on contracts to their estimated total costs. Invoices are issued to customers once certain milestones are reached.

The Group's trade receivables and CWIP increased by US\$151.0 million from US\$715.8 million as at 31 December 2013 to US\$866.8 million as at 30 June 2014. The increase corresponds with the increase in revenue and timing difference between achievement of milestone and revenue recognized for projects in progress.

Subsequent to 30 June 2014, the Group received settlement and billing of approximately US\$90 million.

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

(i) Other receivables (current and non-current)

Other receivables increased by US\$72.7 million from US\$457.9 million as at 31 December 2013 to US\$530.6 million as at 30 June 2014. The increase was due to lease receivables of a vessel to an associate and increase capitalized vessel costs on leased vessels.

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.

(j) Inventories

Inventories decreased by US\$5.5 million, from US\$10.4 million as at 31 December 2013 to US\$4.9 million as at 30 June 2014. The decrease was due to continued consumption of materials in project execution.

(k) Investment in associates

Investment in associates increased by US\$41.0 million, from US\$106.4 million as at 31 December 2013 to US\$147.4 million as at 30 June 2014. The increase was due mainly to fair value recognition in relation to the share options of an associated company of US\$21.3 million and positive results delivered by certain associates.

(l) Investment in joint ventures

Investment in joint ventures decreased by US\$1.2 million, from US\$54.2 million as at 31 December 2013 to US\$53.0 million as at 30 June 2014. The decrease was due mainly to dividend declared by a joint venture.

(m) Property, plant and equipment

Property, plant and equipment increased by US\$125.1 million from US\$414.3 million as at 31 December 2013 to US\$539.4 million as at 30 June 2014. The increase was due mainly to addition of a finance leased vessel of approximately US\$250.0 million as a result of Group strategy to restructure certain existing vessels under various leasing arrangement, this addition was partially offset against de-recognition of property, plant and equipment of approximately US\$111.6 million as a result of deconsolidation of a disposed subsidiaries.

Depreciation increased by US\$4.6 million or 56.8%, from US\$8.2 million in 2Q2013 to US\$12.8 million in 2Q2014. The increase was mainly due to addition of finance leased vessel.

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

(n) Total current and non-current borrowings

Total current and non-current borrowings include bank loans, notes payables, Convertible Bonds and finance leases.

	Group					
	6M2014			FY2013		
	Current US\$'000	Non-Current US\$'000	Total US\$'000	Current US\$'000	Non-Current US\$'000	Total US\$'000
Bank loans	24,701	82,618	107,319	29,145	69,763	98,908
Working lines	153,734	-	153,734	228,985	-	228,985
Convertible Bonds	34,399	-	34,399	37,500	-	37,500
Notes payables	169,999	483,239	653,238	94,347	371,811	466,158
Finance leases	22,518	163,478	185,996	3,469	2,708	6,177
	405,351	729,335	1,134,686	393,446	444,282	837,728

Total current and non-current borrowings increased by US\$297.0 million from US\$837.7 million as at 31 December 2013 to US\$1,134.7 million as at 30 June 2014. The increase was due to higher drawdown in notes payables and finance lease for purchase of vessel.

Net debt-to-equity ratio is as follows:

Financial period ended	30 June 2014	31 March 2014	31 December 2013	30 September 2013	30 June 2013
Net debt-to-equity ratio	1.45	1.34	0.91	0.98	0.92

As at 30 June 2014, the Group has the following outstanding notes payables and Convertible Bonds:

Notes Payables

	Tenure (year)	Interest rate	Due Date	6M2014 S\$'000	Group 6M2014 US\$'000	FY2013 US\$'000
Current						
Multicurrency medium term notes						
- series 9	3.5	5.90%	25-Jul-14	120,000	96,242	94,347
- series 11	3	6.25%	8-Jun-15	95,000	73,757	-
				215,000	169,999	94,347
Non-current						
Multicurrency medium term notes						
- series 11	3	6.25%	8-Jun-15	-	-	74,089
- series 12	4	7.00%	6-Jul-16	75,000	57,775	58,099
- series 14	4	7.10%	18-Apr-17	160,000	127,095	123,560
- series 15	2.5	5.50%	10-Oct-16	100,000	78,348	-
- series 16	2.5	5.13%	6-Oct-16	130,000	101,740	-
				465,000	364,958	255,748
Islamic trust certificate						
- series 1	5	6.50%	2-Aug-18	150,000	118,281	116,063
				615,000	483,239	371,811

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)

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

Convertible Bonds

	Group		Due Date
	6M2014 US\$'000	FY2013 US\$'000	
Nominal value of the Convertible Bonds	35,600	35,600	16 October 2014
Fair value through profit or loss	(1,201)	1,900	
	34,399	37,500	

The decreased amount of Convertible Bonds represents changes in fair value of financial derivative embedded in the Convertible Bonds of US\$3.1 million in 6M2014, such changes in fair value was accounted for at fair value through profit or loss.

Consolidated Statement of Cash Flows

(o) Cash flow used in operating activities

In 2Q2014, the Group net cash used in operating activities amounted to US\$78.6 million. This comprised operating cash flow before working capital changes of US\$20.6 million, and adjusted for net working capital outflows of US\$80.5 million and income tax and interest payment of US\$18.7 million. The net working capital outflows were mainly the result of the following:

- (i) increase in trade receivables and CWIP of US\$48.9 million;
- (ii) increase in other receivables of US\$73.3 million;
- (iii) increase in trade and other payables of US\$35.3 million; and
- (iv) decrease in inventories of US\$6.4 million.

(p) Cash flow used in investing activities

In 2Q2014, the Group's net cash used in investing activities amounted to US\$15.8 million, which were due mainly to dividends paid of US\$ 14.6 million, purchase of property, plant and equipment and capital expenditure of US\$7.3 million which partially offset against disposal of associates of \$2.3 million.

(q) Cash flow generated from financing activities

In 2Q2014, the Group recorded net cash inflow from financing activities of US\$113.6 million, which was mainly due to new bank borrowings amounting to US\$318.1 million. However, this cash inflow was partially offset by repayment of bank loans amounting to US\$201.5 million.

9. Forecast or a prospect statement

Not applicable.

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

Oil price has remained within a healthy range and it is forecasted that most of the major oil and gas companies expect to expand their offshore exploration activities and production capital expenditure.

The Group is capitalising on the increase of activities in the offshore sector by actively bidding for major projects in our target market and geographical region. Barring unforeseen circumstances, the management anticipates growth in order book to be coming in over the next two quarters as more bids are being submitted.

As of August 2014, the Group has an order book of approximately US\$610 million. The Group will remain prudent in managing its operations, maximizing cost efficiencies to provide value added solutions to its customers.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes. The Company has declared a special dividend of S\$0.03 per Share ("Special Dividend") for the financial year ending 31 December 2014 which was announced on 4 March 2014.

(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

The Special Dividend was paid on 28 April 2014.

(d) Book Closure Date.

Not applicable.

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

Not applicable

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 2014** to be false or misleading in any material aspect.

On behalf of the Board of Directors

Raymond Kim Goh @ Goh Kim Teck
Director
Executive Chairman

Francis Wong Chin Sing
Director
Group Chief Executive Officer and President

BY ORDER OF THE BOARD

Lee Bee Fong
Company secretary
13 August 2014