Pacific Radiance

FORGING AHEAD

ANNUAL REPORT 2018

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CORPORATE PROFILE

Pacific Radiance Ltd. ("Pacific Radiance" or the "Company") is an owner and operator of a young and diverse fleet of offshore vessels as well as a provider of offshore support services. The Company and its subsidiaries (collectively, the "Group") strive to be relevant to clients' needs, to be reliable in service delivery and execution, and to be responsive to industry trends in supporting the needs of clients spanning the entire oil and gas project life cycle.

The Group's fleet of more than 100 vessels has given it a strong foothold across Asia as well as emerging oil and gas markets in Africa and Latin America. Helmed by a highly experienced management team and well supported by many reliable partners, the Group enjoys access to many markets protected by cabotage restrictions.

Established in 2006, Pacific Radiance successfully listed on the mainboard of the Singapore Exchange ("SGX") in 2013 and is a well-recognised brand in the sector today. Strategically located in the major offshore hub of Singapore, the Group operates a 33,000 square metres state-of-the-art shipyard with over 180 metres of water frontage, featuring two 6,000 DWT dry docks as well as facilities for equipment fabrication, testing and maintenance.

FORGING AHEAD

Notwithstanding trade and geopolitical tensions, Pacific Radiance stayed firm in its resolve to progress in its restructuring with the support of stakeholders.

Our leaner but efficient workforce was quick to seize opportunities in the recovering oil & gas industry to expand our OSV business and lift overall vessel utilisation.

We have also begun to explore the possibility of venturing into related businesses which will kick-start our growth into adjacent market segments.

We are resolutely **forging ahead** with strategies that will set us towards building a sustainable future for Pacific Radiance.

CORPORATE MILESTONES

2002

Entered into the business of providing ship chartering services.

2006

Incorporated Pacific Radiance Ltd. to advance its offshore support services business. Ended the year as the owner and operator of nine vessels.

2011

Moved into subsea inspection, repair and maintenance business with two newly delivered diving support vessels, to build a new recurrent income stream.

Expanded into Indonesia – another cabotage-protected market that is Asia's fastest-growing E&P market – by acquiring 49% each in two established local ship-owning and chartering companies, PT Jawa Tirtamarin and PT Logindo Samudramakmur Tbk.

2012

Moved into high-growth Brazil market through wholly owned Radiance Offshore Navegacao (Alagoas), which will spearhead drive to grow its presence in South America.

Owner and operator of 124 wholly and jointly owned offshore vessels.

2015

Accorded the Special Mention Award at the Singapore International Maritime Awards 2015.

Commenced cost-rationalisation exercise to reduce corporate and operations-related expenses.

Fleet size of 141 wholly and jointly owned offshore vessels at the end of 2015.

2016

Successfully refinanced existing term loans and renewed revolving credit facilities with key lenders, amounting to about US$185m. Extension of loans from seven to 12 years to reduce Group's principal payments by US$103m over the next three years to 2019.

Secured contract worth US$73m including options from new client in Mexico for maintenance work boat delivered in the first half of 2016.

Transferred key operations and assets in Mexico to Navigatis Radiance Pte. Ltd., its 50%-owned indirect joint venture, to seize opportunities in the fast liberalising offshore oil & gas market here.

Fleet size of 139 wholly and jointly owned offshore vessels at the end of 2016.

2007

Entered into project logistics with a minority stake in Consolidated Pipe Carriers, which boosted its ability to provide logistics services for project cargo.

Embarked on a strategic fleet expansion programme to facilitate its long-term growth plans.

2009

Diversified into marine equipment business to reduce vessel outfitting time and improve service reliability, by establishing Titan Offshore Equipment and investing in Fleetwinch Control.

2010

Invested in Malaysia – a cabotage-protected market with the largest offshore exploration & production ("E&P") spending in Asia – through a 49%-owned JV with Alam Maritim Resources Bhd in Alam Radiance (L).

More than tripled the fleet to 50 vessels from 16 in 2007.

2013

Successfully listed on the mainboard of SGX. Indonesian subsidiary, PT Logindo, was also successfully listed on the Indonesia Stock Exchange.

Further expanded fleet to 131 wholly and jointly owned offshore vessels at the end of 2013.

Relocated to new corporate office building on 15 Pandan Road, where its shipyard is also located.

2014

Entered into Mexico – a high-growth and cabotage-protected market – through joint ventures with local players.

Included in widely followed MSCI Global Small Cap Indexes from close of 30 May.

Fleet size of 135 wholly and jointly owned offshore vessels at the end of 2014.

2017

Re-established presence in the Middle East with multi-year contracts worth up to US$68m.

Secured contracts worth up to US$45m for offshore support vessels ("OSV") work in Asia and the Middle East.

Commenced discussions with bank lenders and noteholders to work towards achieving a sustainable capital structure for the Group.

2018

Obtained approval from noteholders on the restructuring of the Group's S$100m 4.3% notes due August 2018.

Incorporated a joint venture company, Pacific Allianz Holdings Pte. Ltd., to expand into the Middle East.


CREST ODYSSEY 2
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CREST ODYSSEY 2

STRENGTHENING OUR CORE

... by having a lean cost structure that effectively supports our operations and geographical presence, as well as completing our restructuring so that we will emerge with a firmer financial footing.

EXECUTIVE CHAIRMAN'S STATEMENT

"We remain focused on the completion of the restructuring process. As an established operator in the OSV sector, well-supported by our dedicated and experienced team, a young fleet, and our extensive network of business partners, Pacific Radiance is in a good position to capitalise on the improving conditions in the market."

DEAR SHAREHOLDERS,

The year 2018 began on a positive note, as rising oil prices helped to sustain the recovery in offshore capital expenditure. Unfortunately, rising trade and geopolitical tensions in the later part of the year clouded market sentiment, and dampened investor appetite.

While demand for offshore support vessels ("OSV") stayed relatively firm throughout the year, charter rates continued to be weighed down by vessel oversupply.

The Group's OSV fleet registered higher utilisation and despite competitive charter pricing, our Offshore Support Services business reported a 5.2% rise in revenue to US$44.4 million for the 12 months ended 31 December 2018 ("FY2018"). This helped to partially offset the lower revenues from the Subsea and Shipyard businesses. On the whole, Pacific Radiance reported a revenue of US$60.7 million and narrowed its gross loss to US$4.4 million in FY2018. The Group made further asset impairment of US$53.6 million and registered a lower net loss of US$101.2 million for FY2018.

FORGING AHEAD

In Our Operations

Our cost rationalisation efforts helped to pare gross loss by a significant 77% to US$4.4 million as we focused on returning to sustainable operations in FY2018. We also managed to achieve a further 8% reduction in general and administrative expenses to US$15.3 million in FY2018. In fact, the Group has reduced general and administrative expenses by 36% over the last three years since we commenced our cost rationalisation exercise in FY2015.

These steps towards cost efficiency include right-sizing our vessel fleet, crew size and headcount as well as company-wide wage freeze and suspension of discretionary bonuses. As a result, the Group was able to contain its costs, stay nimble and respond quickly to the improved level of chartering activity in the OSV market in FY2018.

Moving forward, we will continue to maintain a lean cost structure that can effectively support our operations and geographical presence.

In Our Restructuring
Pacific Radiance made steady progress in its debt restructuring efforts in FY2018. On 24 August 2018, the Group reached a milestone in its consent solicitation exercise in connection to the S$100 million 4.3% notes due August 2018 when noteholders voted in favour of the proposed notes restructuring, including the extension of the maturity date to 30 September 2019.

Meanwhile, in the pursuit to raise equity as part of the debt restructuring efforts and to fortify our capital structure, the Group received an alternative restructuring option and executed a binding term sheet on 19 December 2018 with parties who control a vessel owning and logistics services provider. Under the salient terms of this term sheet, these businesses and assets with an indicative value of US$180 million will be injected into the Group through a company (the "Target Company"), and the Group will acquire 100% of the Target Company through the issue of new ordinary shares in Pacific Radiance.

This will kick-start Pacific Radiance's move into adjacent market segments in the offshore oil and gas industry. We see this as a win-win proposition as both parties will be able to leverage on each other's strengths in terms of geographical reach, range of services, technical expertise, local knowledge, network and management expertise. The Group is currently in the process of completing its due diligence on the businesses and assets to be acquired under this restructuring option.

We remain actively engaged in discussions with the stakeholder groups on the debt restructuring of the Group, which takes into consideration the aforementioned merger. Plans are underway for us to submit the scheme application to the Court in the coming months to restructure the remaining debt of the Group by way of schemes of arrangement in accordance with section 201 (1) of the Companies Act (Cap. 50). Any further updates on significant developments in relation to these will be disseminated at the appropriate juncture.

PROSPECTS AND OUTLOOK

Tender activities and vessel utilisation are expected to continue to see modest improvements in the coming year. Tonnage oversupply is expected to keep charter rates very competitive, but we remain cautiously optimistic that as industry consolidation gains pace, vessel supply will steadily tighten and help spur the sector recovery.

We remain focused on the completion of the restructuring process. As an established operator in the OSV sector, well-supported by our dedicated and experienced team, a young fleet, and our extensive network of business partners, Pacific Radiance is in a good position to capitalise on the improving conditions in the market.

SUSTAINABILITY REPORTING

Sustainability is a strategic priority for Pacific Radiance and the continued success of the Group depends very much on how we balance our long-term commercial objectives, meet the needs of our staff and local communities, as well as protect the environment we operate in. We recognise that our business activities have an impact on the societies we operate in and that we need to conduct our business as a responsible global corporate citizen.

In line with our commitment to sustainable business, we are pleased to publish our FY2018 sustainability report which is prepared with reference to Global Reporting Initiative (GRI) standards and details our economic, social and environmental activities and performance for the financial year.

ACKNOWLEDGEMENTS AND APPRECIATION

The restructuring journey we took was not without impediments and sacrifices, but it was necessary for the Group to emerge with a firmer financial footing.

On behalf of the management, I would like to express my sincere appreciation to our shareholders, noteholders and business partners for your patience thus far and unwavering confidence in our team as we advance in our debt restructuring.

To Ms Ooi Chee Kar, who will be retiring as Independent Director, my Board and I would like to express our gratitude and appreciation for Ms Ooi's invaluable contributions to the Group during her tenure of service.

To our staff and management team, I am deeply grateful for your resilience in the challenging operating environment and your resolve to uphold Pacific Radiance's reputation for quality and reliability. I look forward to your continued trust and support as we fervently work towards the completion and implementation of the final steps of the restructuring.

PANG YOKE MIN
Executive Chairman

BOARD OF DIRECTORS & EXECUTIVE OFFICERS

MR. PANG YOKE MIN

Executive Chairman

Mr. Pang Yoke Min was named the Group's Executive Chairman in January 2013, after having served as its principal adviser in 2012. Mr. Pang was also the Group's Non-Executive Director from January 2007 to December 2011 and was last re-elected as a Director of the Company on 16 July 2018. He is currently responsible for the Group's overall strategic direction and growth, and has led its swift transformation into a promising major player in the provision of offshore vessels.

A veteran of the offshore oil and gas industry with more than 30 years of experience, Mr. Pang co-founded Jaya Holdings Limited in 1981 and was its managing director until 2006.

Mr. Pang is a non-independent and non-executive director of GYP Properties Limited (formerly known as Global Yellow Pages Limited) which is listed on SGX. He sits on the nominations, audit and remuneration committees at GYP Properties Limited.

Mr. Pang graduated with a Diploma in Business Administration from the Institute of Business Administration in Australia.

MR. MOK WENG VAI

Executive Director

Mr. Mok Weng Vai was appointed as the Group's Executive Director in July 2006 and was last re-elected as a Director of the Company on 16 July 2018. As one of the Group's co-founders, he currently heads the Offshore Support Services Business Division, which represents the Group's core business segment.

Mr. Mok began his career as a commercial and business development executive at Maritime Pte. Ltd. in 1989. He joined Jaya Holdings Limited as a marketing executive in 1993 and spent nine years there. Since the formation of the Group, of which Mr. Mok was the co-founder, he has been overseeing the Group's daily management and policy implementation. During this period, he has acquired in-depth knowledge and experience of the oil and gas industry, and in particular, the offshore support services sector.

Mr. Mok graduated with a Bachelor of Arts from the National University of Singapore.

MR. PANG WEI MENG

Executive Director

Mr. Pang Wei Meng was appointed as one of the Group's Executive Directors in November 2006 and was last re-elected as a Director of the Company on 28 April 2016. Mr. Pang heads the Group's Subsea Business Division and oversees its overall day-to-day operations. Further, he has the primary responsibility of dealing with new clients for the chartering of the Group's vessels.

Mr. Pang played a key role in the Group's formative years, during which his responsibilities included marketing, business development and finance.

Mr. Pang graduated with a Diploma in Mechanical Engineering from Singapore Polytechnic and a Bachelor of Commerce in Finance and Accounting from the University of New South Wales, Australia.

MR. LAU BOON HWEE

Executive Director

Mr. Lau Boon Hwee was appointed as one of the Group's Executive Directors on 28 October 2013 and was last re-elected as a Director of the Company on 28 April 2017. He is responsible for the Group's newbuild projects and overseeing the technical and service aspects of the Group's operations. He was instrumental in the development and construction of the Group's new shipyard that successfully commenced operations in August 2016.

Mr. Lau is a veteran in the offshore marine industry with more than 20 years' experience. Prior to joining the Group, he worked in various Singapore shipyards, including Asian Shipbuilding Industries Pte. Ltd. and Jaya Shipbuilding & Engineering Pte. Ltd., where he gained experience in shipbuilding and ship repairing operations.

Mr. Lau graduated with a Diploma in Offshore and Shipbuilding from Ngee Ann Polytechnic.

BOARD OF DIRECTORS & EXECUTIVE OFFICERS

MR. NG TIONG GEE

Lead Independent Director

Mr. Ng Tiong Gee was appointed as the Group's Lead Independent Director on 28 October 2013 and was last re-elected as a Director of the Company on 28 April 2016. He has substantial experience in the information technology sector and strategic human resource management. He is currently the chairman of Yellow Pages Pte. Ltd., an online directory and digital marketing company.

Mr. Ng was the senior vice president for innovation and technology at Resorts World Sentosa. He was also at various times in his tenure there responsible for the Engineering and Estate Management divisions of RWS. He has held various key positions at Digital Equipment Singapore (now part of Hewlett-Packard), Siemens Microelectronics Asia Pacific Pte Ltd (now known as Infineon Technologies Asia Pacific), Gateway Incorporated, STATS ChipPAC and United Test and Assembly Center Ltd, and his roles have included, among others, director of information systems and services, chief information officer and chief human resource officer.

Mr. Ng is currently a non-executive and independent director of GYP Properties Limited (formerly known as Global Yellow Pages Limited) and is also the chairman of its remuneration committee as well as a member of its audit and nominations committees. He is also an independent director of Y Ventures Ltd and is the chairman of its nomination committee as well a member of its remuneration and audit committees.

Mr. Ng graduated with a Bachelor of Mechanical Engineering from the National University of Singapore and holds a Master of Business Administration from Nanyang Technological University of Singapore. He has also attended the Advanced Management Program in Harvard Business School.

MR. YONG YIN MIN

Independent Director

Mr Yong Yin Min became a Non-Executive Director in 2006 and was re-designated as an Independent Director in 2017. He was last re-elected as a Director of the Company on 28 April 2017. A 28-year veteran of the financial sector, he brought with him invaluable expertise in private, corporate and investment banking.

He has held senior positions at Chase Manhattan Bank, NZI Bank, Standard Chartered Bank, Keppel Bank, GE Capital and KBC Bank. At various points in his career, he headed teams in private and corporate banking, and served as a regional operations manager and a general manager for commercial and investment banking.

He graduated with a Bachelor of Science from the University of Singapore. He later earned a Master in Business Administration from the University of Toronto in Canada and a Master in Financial Engineering from the National University of Singapore.

MS. OOI CHEE KAR
Independent Director

Ms. Ooi Chee Kar was appointed an Independent Director in 2013 and was last re-elected as a Director of the Company on 28 April 2016. An auditor for more than 30 years, she was an audit partner at PricewaterhouseCoopers in Singapore for two decades. While there, she was the audit partner for various listed entities and was actively involved in their audit committees. Her professional experience is broad-based, covering sectors that range from financial services to retail, shipping and oil trading.

Ms. Ooi is also an independent director of AusGroup Limited, Singapore Eye Research Institute, Tokio Marine Life Insurance Singapore Ltd., Tokio Marine Insurance Singapore Ltd and Singapore Pools (Private) Limited. She also currently serves as the Honorary General Secretary to the board and chairperson of the audit committee of the National Council of Social Service.

She is a fellow of both the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. She graduated with a Bachelor of Accountancy (Hons) from the University of Singapore.

MR. GOH CHONG THENG
Independent Director

Mr. Goh Chong Theng was appointed as the Group's Independent Director on 28 October 2013 and was last re-elected as a Director of the Company on 28 April 2017. He is currently the corporate finance director of PT Central Cipta Murdaya. Prior to this, he was the head of banking of RGE Pte Ltd from March 2012 to July 2013 and the chief financial officer of TT International Ltd (a company listed on SGX) from 2010 to 2012.

Mr. Goh has garnered more than 30 years of experience in the banking and finance sector, mostly at international banks such as Citigroup, Standard Chartered Bank, ABN AMRO, OCBC Bank and Rabobank International, where he held key appointments such as senior vice president and head of wholesale corporate banking and also as general manager for Singapore branch and the region, among others.

Mr. Goh graduated with a Bachelor of Computer Science from the University of Windsor, Canada and a Master in Business Administration (Finance and Accounting) from McGill University, Canada. He has attended leadership and management development programs at INSEAD in Paris, Manchester Business School and also Ashridge College in London.

Mr. Goh is currently the non-executive chairman, an independent director as well as chairman of the audit and risk management committee of USP Group Limited, which is listed on the mainboard of SGX.

He is currently a trainer at Singapore Management University.

BOARD OF DIRECTORS & EXECUTIVE OFFICERS

MR. PANG WEI KUAN, JAMES

Managing Director
(Commercial and Business Development)

Mr. Pang Wei Kuan, James joined the Group in July 2011 and is currently the Group's Managing Director of Commercial and Business Development. He leads the Group's marketing and business development teams, which are actively working to extend the Group's footprint worldwide. He spearheads the Group's ventures into foreign markets such as Indonesia, Latin America, Africa and the Middle East. Mr. Pang also drives the Group's investment activities by developing and executing the Group's strategy and business plans. Since joining the Group, he has focused on building up and strengthening the Group's marketing and business development activities.

Mr. Pang started his career at Standard Chartered Bank, Singapore branch in 2009. During his tenure at Standard Chartered Bank, Singapore branch, he was responsible for managing client relationships and assisting in originating deals with the Asian Conglomerates portfolio. His responsibilities also included negotiating and executing financing transactions for listed and private companies.

Mr. Pang graduated with a Bachelor of Arts, Major in Economics (summa cum laude) and a Bachelor of Science in Business Administration, Major in Finance (summa cum laude) from Boston University in the United States of America.

MS. CHIA IRIS

Chief Financial Officer

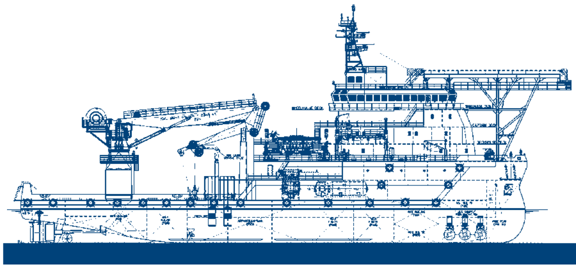
Ms. Chia Iris joined Pacific Radiance in 2017 as Chief Financial Officer. She oversees the Group's overall financial, accounting, taxation, corporate finance and treasury matters, ensuring compliance with financial reporting requirements.

Ms. Chia possesses more than 20 years of banking and corporate finance experience, mostly at DBS Bank, Standard Chartered Bank, Natixis and KPMG Corporate Finance. During her stint in banking, Ms. Chia completed numerous financing and capital markets transactions and provided advisory services across multiple industry sectors, including transportation (shipping and aviation), telecommunications, media and technology, real estate, retail, food and beverage, industrial, trading and automotive sectors. She also oversaw teams across business segments for local corporates, large conglomerates and multi-national corporates.

Ms. Chia holds a Master of Science (Applied Finance) from the National University of Singapore and a Bachelor of Accountancy from the Nanyang Technological University. She has also completed the Chartered Financial Analyst Program.

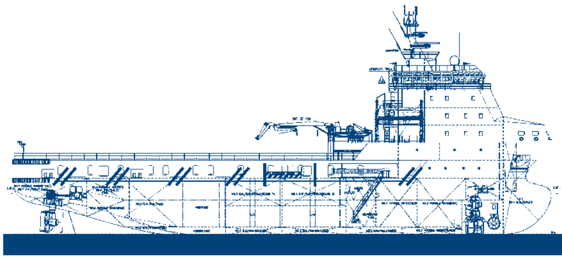
VESSEL PORTFOLIO

(Directly Owned Vessels As At 31 December 2018)



DIVING SUPPORT VESSELS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Odyssey 2	Singapore	12 men saturation dive system, 100 ton AHC subsea crane	ABS	2011
Crest Hydra	Singapore	Air dive & ROV, 24 ton AHC crane	BV	2014

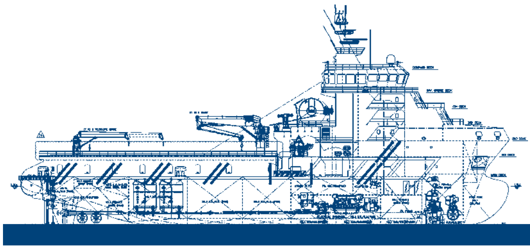


PLATFORM SUPPLY VESSELS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Alpha 1	Singapore	3,000 DWT	ABS	2013
Crest Aries 1	Singapore	3,500 DWT	ABS	2013
Crest Argus 1	Singapore	4,000 DWT	BV	2014
Crest Argus 2	Singapore	4,000 DWT	BV	2014
Crest Apollo	Singapore	4,900 DWT	ABS	2014
Crest Victoria	Singapore	4,900 DWT	ABS	2014
Crest Argus 3	Singapore	4,000 DWT	BV	2015
Crest Argus 5	Singapore	4,000 DWT	BV	2015

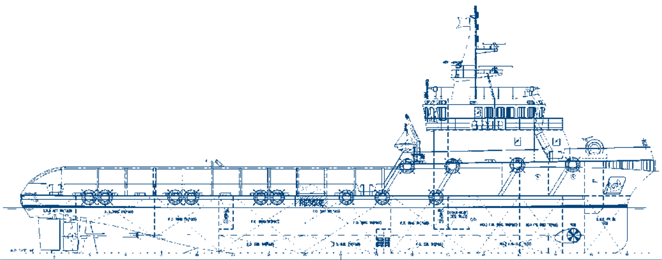
VESSEL PORTFOLIO

(Directly Owned Vessels As At 31 December 2018)



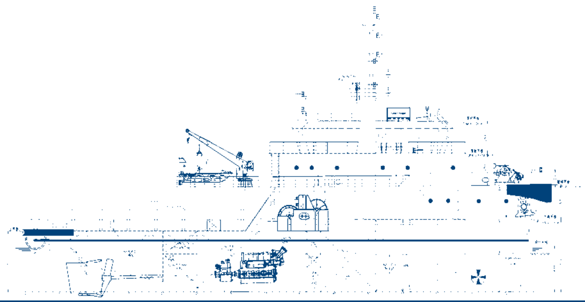
ANCHOR HANDLING TUG & SUPPLY VESSELS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Amethyst	Singapore	5,150 BHP	ABS	2012
Crest Mercury One	India	6,000 BHP	IRS	2015
Crest Mercury Two	India	6,000 BHP	IRS	2015
Crest Mercury 3	Singapore	6,000 BHP	BV	2015
Crest Mercury 5	Singapore	6,000 BHP	BV	2015
Crest Optimus	Singapore	17,500 BHP	ABS	2015
Crest Meridian 1	Singapore	8,000 BHP	ABS	2016



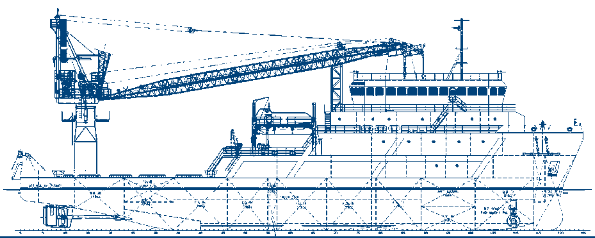
MULTI-PURPOSE SUPPORT VESSELS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Radiant 3	Singapore	3,200 BHP	BV	2008
Crest Radiant 5	Singapore	3,200 BHP	BV	2009



ANCHOR HANDLING TUGS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Spartan 1	Singapore	4,400 BHP	BV	2009
Crest Spartan 3	Singapore	4,400 BHP	BV	2010
Crest Spartan 8	Singapore	4,400 BHP	BV	2010
Crest Apache	Singapore	5,150 BHP	ABS	2013

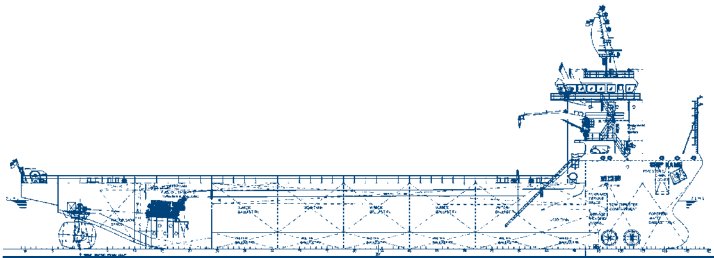


MAINTENANCE WORK VESSELS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Nautilus 1	Singapore	120 men, 40 ton crane	ABS	2010
Crest Nautilus 2	Singapore	120 men, 40 ton crane	ABS	2010
Crest Athena 1	Singapore	208 men, 64 ton crane	ABS	2014
Crest Athena 2	Singapore	208 men, 64 ton crane	ABS	2014
Crest Centurion 2	Singapore	239 men, 100 ton crane	ABS	2016

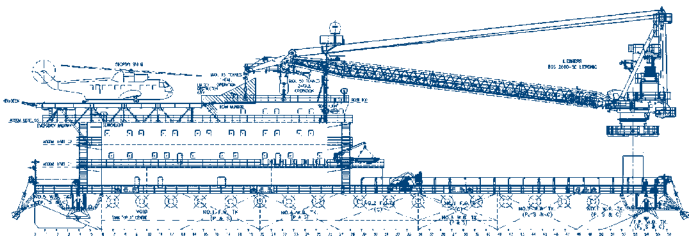
VESSEL PORTFOLIO

(Directly Owned Vessels As At 31 December 2018)



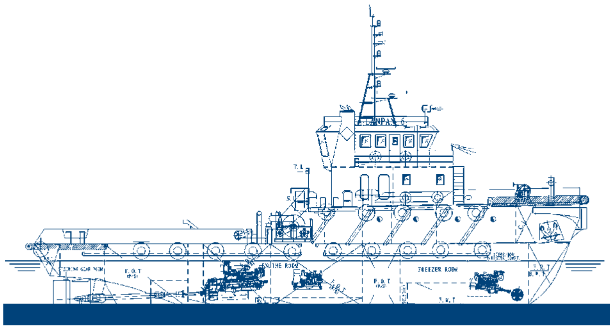
SPECIAL CARRIER VESSEL

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Angelica	Singapore	8,264 DWT	ABS	2012



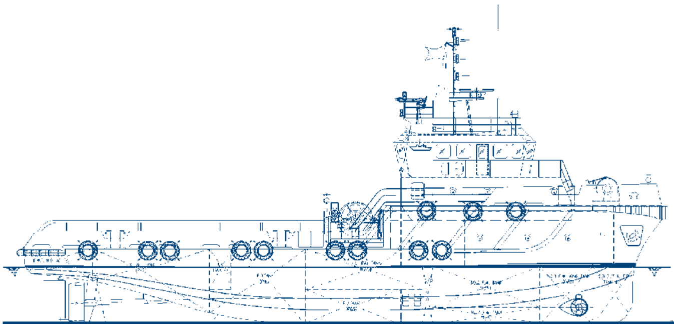
ACCOMMODATION WORK BARGES

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Support 1	Panama	120 men	BV	2008
Crest Support 5	Panama	200 men, 50 ton crane	BV	2009
Crest Provider (Warehouse Accommodation Work Barge)	Panama	200 men, 40 ton crane, 70 ton crane	ABS	2011



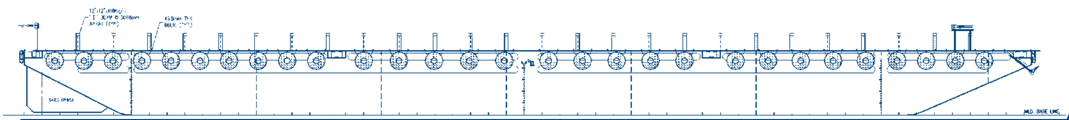
OCEAN TOWING TUGS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Gold 1	Singapore	3,200 BHP	BV	2008
Crest Opal	Philippines	3,200 BHP	ABS	2011



UTILITY SUPPLY VESSEL

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Voyager	Singapore	2,000 BHP	BV	2006



OFFSHORE BARGES

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest 287	Singapore	6,000 DWT	BV	2010
Crest 2821	Singapore	8,490 DWT	ABS	2010
Crest 2822	Singapore	8,490 DWT	ABS	2010
Crest 148	Singapore	960 DWT	ABS	2010
Crest 2801	Philippines	6,000 DWT	BV	2011
Crest 2802	Singapore	6,000 DWT	BV	2011

EXPANDING OUR HORIZONS

... by establishing strategic partnerships and joint ventures with trusted partners, which will allow us to accelerate our entry into adjacent market segments and diversify our revenue streams.

FINANCIAL & OPERATIONS REVIEW

FINANCIAL REVIEW

The level of chartering activity rose in FY2018 but vessel tonnage oversupply continued to weigh down on charter rates. During the financial year, Pacific Radiance remained focused on operational safety, maximising its vessel utilisation and reining in operating costs.

REVENUE AND PROFIT

The Group's revenue fell 10% to US$60.7 million in FY2018, mainly due to weaker performance in the Subsea and Shipyard segments, albeit supported by higher turnover in the Offshore Support Services business. Despite this, we were able to pare down gross loss by 77% to US$4.4 million. Net loss narrowed by 71% to US$101.2 million primarily due to lower impairment of property, plant and equipment and doubtful receivables and lower operating expenses. A further 8% reduction in general and administrative expenses to US$15.3 million was achieved in FY2018.

SEGMENTAL PERFORMANCE

Revenue from the Offshore Support Services business rose to US$44.4 million in FY2018 from US$42.2 million previously, as a result of higher vessel utilisation. The Subsea business, however, recorded a lower revenue of US$10.1 million from lower level of activity. Similarly, revenue from the Shipyard business declined by 7% to US$6.2 million due to lower completion of ship repair works.

OPERATIONS REVIEW

EXPANDING OUR HORIZONS

Throughout 2018, Pacific Radiance maintained its presence in key regions including Asia, Mexico and the Middle East. The Middle East, a region showing potential, saw at least 14 of our vessels working for end clients that include many independent and national oil companies. These vessels supported the production campaign in the Arabian Gulf as well as provided towing, repair and maintenance,

transportation and platform support services to the region. The Group has over the recent years accumulated significant operating experience in this region and is poised to benefit from sizable investments in key markets like the United Arab Emirates and Saudi Arabia.

UPDATE ON THE RESTRUCTURING

As we diligently delivered operational excellence to our customers in FY2018, the Group also advanced steadily in its restructuring efforts.

On 24 August 2018, Noteholders approved the proposed Notes restructuring, including the extension of the maturity date of the Notes from 29 August 2018 to 30 September 2019. Over 75% of the votes were cast in favour of the resolution.

As a result, all outstanding Notes will be redeemed via the following steps:

1. an upfront cash payment of S$5 million;
2. deferred cash payment of S$5 million in Year 4 and another S$5 million in Year 7, or earlier if the Group's retained bank loans are fully repaid;
3. an upfront conversion of all Notes to new ordinary shares in Pacific Radiance – every S$250,000 in denomination of notes will be converted to 2,104,000 new issued ordinary Pacific Radiance shares at a deemed conversion price of S$0.101;
4. each S$250,000 in denomination of Notes will also be awarded 125,000 warrants with a 4-year exercise period during which each warrant may be converted into one new Pacific Radiance ordinary share at an exercise price of S$0.028.

Meanwhile, as the Group continues its pursuit to raise equity as part of the restructuring efforts, it has received an alternative restructuring proposal and has executed a binding term sheet with parties who control a vessel owning and logistics services provider (the "Promoters"). The term sheet sets out the legally binding agreed key terms between Pacific Radiance and the Promoters, and forms the basis for entry into definitive agreements for this alternative restructuring proposal.

Under the term sheet, Pacific Radiance will acquire 100% of a target company (the "Target"), into which the Promoters will procure the injection of its vessel owning and logistics services business and assets worth approximately US$180 million. The Group will then issue and allot new Pacific Radiance ordinary shares to the owners (the "Vendors") to acquire the Target. When the conditions precedent are fulfilled, this will result in a merger of Pacific Radiance and the Target, and the Vendors would end up with

FINANCIAL & OPERATIONS REVIEW

a significant shareholding in Pacific Radiance. The merged entity will then be jointly managed by key management of both Pacific Radiance and the Promoters.

This strategic acquisition will kick-start Pacific Radiance's move into adjacent market segments and both parties are able to leverage on each other's strengths in terms of geographical reach, range of services, technical expertise, local knowledge, network and management expertise.

Pacific Radiance is currently in the process of completing its due diligence on the Target. The merger is subject to, inter alia, regulatory and shareholders' approval as well as the successful restructuring of the Group's debt.

APPLICATIONS FOR MORATORIA

To facilitate the overall restructuring process and to seek interim protection against legal proceedings that will regress the Group's ongoing discussions with the various stakeholders, Pacific Radiance and its wholly-owned subsidiaries, Pacific Crest Pte Ltd and CSI Offshore Pte Ltd, each applied for moratoria under section 211B(1) of the Companies Act (Cap.50) to the High Court of the Republic of Singapore. The moratoria has been extended to 18 April 2019. The Group intends to seek further extension of the moratoria at the next hearing. The ongoing moratoria provide stability and, together with the support of Pacific Radiance's customers and key trade suppliers, help to sustain the Group's day-to-day operations as well as give an opportunity and adequate time for it to finalise its restructuring.

OUTLOOK AND STRATEGY

The Group expects to see modest improvements in tender activities and vessel utilisation in the coming year, though tonnage oversupply will continue to keep charter rates very competitive. It is cautiously optimistic that as industry consolidation gains pace, vessel supply will steadily tighten and help spur the sector recovery.

Pacific Radiance remains focused on the completion of the restructuring. At the same time, we will continue to stay vigilant and responsive to our customers' needs so as to better position the Group for a fuller sector upturn.

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board oversees the strategic direction of sustainability at Pacific Radiance Ltd. ("Pacific Radiance", the "Company" or the "Group") and has taken into consideration the sustainability reporting guidelines from SGX. The Board has been involved in the identification and prioritisation of material factors and has provided resources to manage the governance of sustainability within Pacific Radiance. The Board will ensure that sustainability remains a core focus of the Group and would like to thank the management and employees for their help in the preparation of the report.

ABOUT THIS REPORT

REPORTING SCOPE AND PERIOD

This is the FY2018 Sustainability Report published by Pacific Radiance, which is headquartered in Singapore and listed on the mainboard of SGX. This report covers our sustainability performance up to 31 December 2018 and includes data and information relating to our operations in Singapore and Indonesia. The Sustainability Report is published on an annual basis.

REPORTING STANDARD

This report has been prepared with reference to the Global Reporting Initiative ("GRI") Standards. The GRI Content Index at the end of this report sets out the relevant indicators and where information on such indicators can be found.

ASSURANCE

As the Group is in the early stages of laying the foundation for sustainability reporting, we have not obtained any independent assurance of the information being reported. We will continue to work on embedding our reporting and data collection process into our daily operations, and consider obtaining independent assurance as our reporting matures in the future.

FEEDBACK

A softcopy of this report can be found on our website at www.pacificradiance.com. We welcome your questions and value your feedback on our sustainability practices and how we can improve on them. Please reach out to our sustainability team at sustainability@pacificradiance.com should you wish to contact us.

OUR BUSINESS

Pacific Radiance has been in the offshore and marine industry since 2002. We have over the years grown from a ship chartering and technical management service business to an established owner and operator of offshore vessels and a provider of subsea services and shipyard services to the global oil and gas industry.

Our business divisions are structured to function as synergistic units that meet the evolving needs of our clients. Each business division benefits from the ability to leverage off the experience and expertise available in the other business divisions. This has allowed us to deliver an end-to-end service and enhanced experience to our clients.

Our head office is situated in Singapore, supported by our associate offices in Mexico, Mozambique and Indonesia. Our market presence stretches from Asia to Middle East, Australia, Latin America and Africa.

OFFSHORE SUPPORT SERVICES

- Directly owns and operates over 40 vessels with additional access to over 60 vessels through our associate companies
    - Dynamically Positioned Platform Supply Vessels
    - Anchor Handling and Ocean Tugs
    - Offshore Barges
- Fleet operations across Asia, Middle East, Australia, Latin America and Africa

SUBSEA SERVICES

- 2 modern and versatile DP2 Saturation Dive Support Vessels
- Established in:
    - Saturation and air diving operations
    - ROV operations and subsea installation
    - Inspection, Maintenance and Repair works
- Operate extensively in Australia and Asia

SHIPYARD SERVICES

- 33,000m^2 state-of-the-art facility
- Experienced in offering:
    - Professional ship repair services
    - Fabrication and conversion for afloat and docking vessels

SUSTAINABILITY REPORT

SUSTAINABILITY AT PACIFIC RADIANCE

We have always embraced sustainable business practices at Pacific Radiance. Our vision to become a global and best-in-class integrated marine solutions provider is based on our commitment to meet our customers' requirements, and at the same time creating sustainable value to our stakeholders and contributing to the development of our people.

Over the years, we have conducted our businesses professionally with strong emphasis on safety, quality, excellence and environment protection. We are guided by our Enterprise Risk Management ("ERM") framework and various policies including:

- Health and Safety Policy
- Environmental Policy
- Quality System Management Policy

STAKEHOLDER ENGAGEMENT

Stakeholder concerns and needs are key to forming our sustainability agenda and focus. We focus our stakeholder engagement efforts based on the significance of their influence on our business and our dependency on them. We engage with our key stakeholders regularly to ensure their concerns are addressed.

STAKEHOLDER	FREQUENCY	METHOD	TOPICS OF CONCERN	OUR RESPONSE
Employees	Monthly, Annual	Regular town hall meetings, monthly meetings between department heads, monthly environmental awareness updates, annual Earth's Day and Environmental Day activities	– Training needs – Welfare and benefits – Health, safety and security – Conducive work environment – Environmental awareness, recycling and charity	– Sending employees for training – Regular performance review – Organising awareness activities
Lenders	Quarterly, Ad-hoc	Routine reports, One-to-one meetings	– Economic performance and compliance to financial covenants – Updates on restructuring	– Timely updates to relevant stakeholders
Investors	Annual, Ad-hoc	Annual and Extraordinary General Meetings, investor road shows, informal noteholder meetings and clinic sessions	– Economic performance – Regulatory compliance – Updates on restructuring	– Sharing of regular updates – Timely disclosures through SGXNet
Clients	Ad-hoc	Feedback survey Regular dialogue sessions	– Vessel functionality, availability, best practices and efficiency	– Relevant corrective actions – Vessel modifications – Bridging document to align operational goals
Regulators/ Government	Ad-hoc	Face-to-face meetings, participation at regulatory update meetings	– Ballast Water Management – GHG emissions reductions/ sulphur limits – Safety and transport of hazardous materials – Updates on restructuring	– Strict compliance to guidelines and standards – Timely response to address all concerns

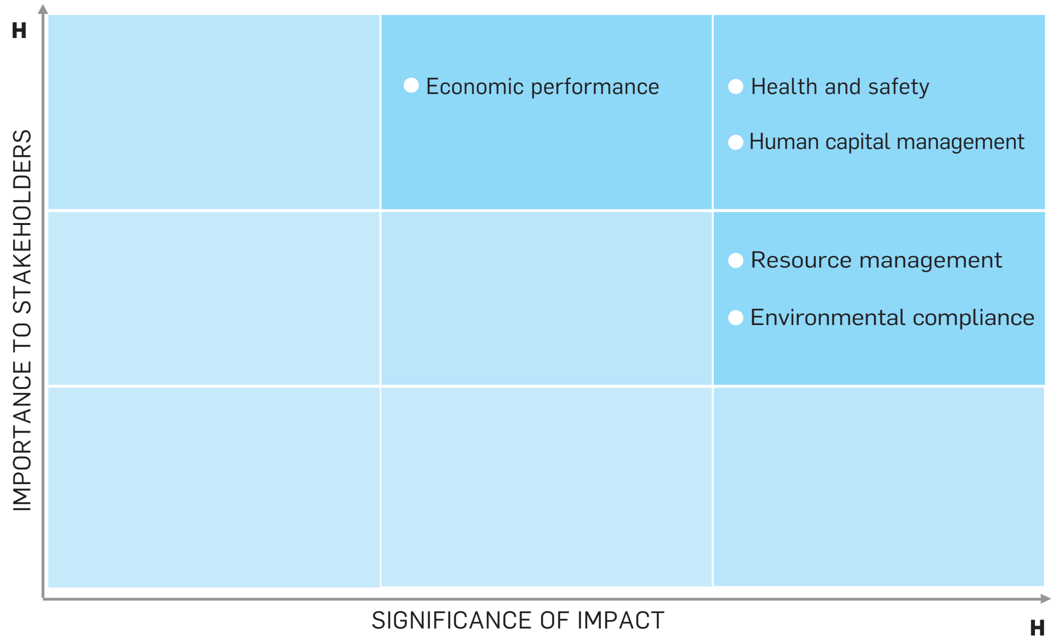
SUSTAINABILITY GOVERNANCE

The SGX guidelines have provided us an opportunity to view sustainability through the lens of materiality and align our existing efforts to ensure that material ESG Environmental, Social and Governance ("ESG") factors are identified and addressed.

Sustainability is governed at the highest level by the Board, monitored by senior management through a sustainability work group and executed by respective departments on the ground.

MATERIALITY ASSESSMENT

A materiality assessment was conducted in 2017 according to the GRI Standards' Principles for defining report content. We conducted a high-level exercise on a universe of factors to short-list the key ESG factors where our company creates significant long-term impact. We then engaged our employees and management to seek their feedback on these factors and validated the results to arrive at our final list of material factors (see below). In the future, we may also consider engaging, in a phased approach, other stakeholders such as regulators, clients and key investors in identifying their concerns in relation to our material topics.



Pacific Radiance Materiality Matrix

SUSTAINABILITY REPORT
ENVIRONMENT

RESOURCE MANAGEMENT

Environmental responsibility is on top of our sustainability agenda. Guided by our environmental policy, we strive to minimise our carbon footprint, manage our water discharge, reduce our wastage, ensuring strict compliance to environmental friendly practices.

ENERGY AND EMISSIONS

We are mindful that the shipping industry accounted for nearly 2% of global carbon dioxide emissions in 2018, mainly through the use of fossil fuel.

In Pacific Radiance, our energy consumption occurs at three key locations: our vessels, which run on fuel oil, as well as our office premises and shipyard, which primarily consumes electricity.

To improve our fuel efficiency at an operational level, we follow the Ship Energy Efficiency Management Plan ("SEEMP") and are also focussing on automating our vessels and improving awareness of employees on energy and carbon issues. Furthermore, we operate according to the MARPOL – International Convention for the Prevention of Pollution from Ships.

We operate and own, directly and indirectly, 7 modern diesel electric vessels which offer considerable fuel savings in comparison to mechanical driven vessels. In addition, one of our vessels has obtained the Environmental Notation from the classification society American Bureau of Shipping ("ABS"), a testament of our commitment and responsibility towards protecting the environment.

As our fleet uses marine diesel oils instead of heavier fuel oils, our entire fleet is already compliant with the stringent sulphur cap regulations which limits sulphur emissions to less than 0.5% by 2020.

In line with our efforts towards environmental conservation, the Group has pledged its commitment to cleaner and greener vessel operations as part of the Maritime Port Authority's ("MPA") Maritime Singapore Green Pledge.

BEST PRACTICES ADOPTED FOR FUEL EFFICIENCY

Fuel efficient operations

- Vessels with electric propulsion
- Improved voyage planning
- Weather routing
- Just-in-time arrival
- Speed optimisation

Optimised ship handling

- Optimum trim
- Optimum ballast
- Optimum use of rudder and control systems

Hull Maintenance

- Propulsion system maintenance

SAVING FUEL AND ENHANCING EFFICIENCY THROUGH VESSEL AUTOMATION

In 2018, Pacific Radiance has successfully implemented automation systems across its entire fleet. Shipboard automation systems enable continuous monitoring of parameters such as temperature, pressure, flow of cooling water, fuel oil, lube oil etc. These data provide useful information for the crew to make operational decisions.

For instance, fuel consumption data that is available through a digital platform helps the operations manager to verify if the values are optimal. Since this data is made available without the intervention of the vessel crew, it also saves time and reduces false reporting. The real time nature of the data also allows comparison with other identical vessels operating in the same field and thereby detect and implement corrective actions for overconsuming vessels.

SUSTAINABILITY REPORT

ENVIRONMENT

WHY MATERIAL

Energy savings and emission reductions have a direct impact on our bottom line. They also help us mitigate business risks from volatile global oil prices, reduce our impact on the environment and risks of non-compliance with prevailing regulations.

OUR ACTIONS

– Adhere to ISO 14001 and track and monitor energy and emissions data regularly
– Work in accordance to the SEEMP
– Perform environmental awareness training for staff
– Automation of our vessels

PERFORMANCE

TOTAL ENERGY CONSUMPTION

Total electricity consumption:

2,117,527
kWh

Total marine diesel oil consumption:

39,908
tonnes

TOTAL GHG EMISSION

Scope 1:

127,947
TCO_2 eq.

Scope 2:

1,449
TCO_2 eq.

Total:

129,395
TCO_2 eq.

NOx: 1,954
tonnes

SOx: 105
tonnes

TOTAL WATER CONSUMPTION

Total fresh water consumed by office premises and shipyard:

3,210 m^3

LOOKING AHEAD

Continue to comply with the 2020 sulphur cap regulations

Notes:

1. We use the emission factors 3.206, 0.04896 and 0.00264 for calculation of CO2, NOx and SOx emissions respectively. [Source: http://www.imo.org/en/OurWork/Environment/PollutionPrevention/AirPollution/Documents/Third%20 Greenhouse%20Gas%20Study/GHG3%20Executive%20Summary%20and%20Report.pdf]
2. We provide almost 39% (1,338,242 kWh) of the total electricity supplied to us (3,455,769 kWh) to vessels in our facility via cold ironing facilities. This is much friendlier to the environment due to the efficiency of the power station versus use of a small diesel generator.
3. We use 0.4192 as the grid emissions factor for electricity conversion. [Source: www.ema.gov.sg]
4. Our diesel oil data includes our vessels from PT Logindo, Strato Maritime and shipyard consumption.
5. Our electricity data includes our shipyard and office consumption.
6. We received a total of 21,137 m^3 fresh water of our sites. Out of this, 10,442m^3 was supplied to external vessels and 7,485 m^3 was reclaimed NEWater .

EFFLUENTS AND WASTE

Ballast water disposal and waste reduction are two important components of how we manage our environmental risks. We take all required efforts in ensuring that the ballast water disposed into the waters is treated sufficiently so that it creates minimum harm to the environment. Similarly, we are making efforts to reduce wastage from our operations.

BALLAST WATER MANAGEMENT

Our vessels use water as ballasts for staying stable at sea. However, ballast water discharge contains a variety of biological materials including plants, animals, viruses and bacteria. These materials are often non-native and may cause damage to the ecological systems where they are discharged as well as issues to human health. The International Convention for the Control and Management of Ships' Ballast Water and Sediments ("BWM Convention"), which took effect in September 2017, requires all ships to implement a ballast water management plan. All ships are also required to monitor ballast water discharge and carry out ballast water management procedures according to a given standard. Pacific Radiance is prepared for all its vessels to be compliant with the BWM Convention as per the mandated timelines.

WASTE MANAGEMENT

We are committed to reduce waste at all levels in our operations. Guided by our waste management policy and Garbage Management Plan, we ensure that all waste is properly stored until a suitable treatment disposal route is available. We also label our waste by its composition, hazards and instructions of actions in case of an emergency to ensure our employees are ready to handle the waste at all times. Furthermore, our employees adopt Lean Practices across our operations, to minimise our total waste generated.

LOOKING AHEAD

All our vessels are in compliance with the basic D1 standards of the BWM Convention, We are currently on track to achieving the D2 standards compliance by 2024.

RECYCLING (OFFICE)

893 kg
Paper

82 kg
Glass

269 kg
Plastic

113 kg
Others

351 kg
Cans

SUSTAINABILITY REPORT
ENVIRONMENT

ENVIRONMENTAL COMPLIANCE

Our environmental policy guides us in minimising and mitigating any negative environmental impact caused from our day-to-day operations and ensuring that we are in compliance with all environment related regulations. This policy is driven by our Environmental Management System ("EMS") that is in line with the requirements of ISO 14001. Through these practices, we exercise a precautionary approach to environmental management.

In 2018, we did not face any significant fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations.

SPILLS MANAGEMENT

As a vessel operator and service provider to the oil and gas industry, oil spill is one of our key risks that we need to manage. We regularly send our staff to the Oil Pollution Preparedness, Response and Co-operation ("OPRC") model training courses to ensure they are kept updated on industry best practices.

There are four courses in the series, which range from an introductory level aimed at providing a general introduction and awareness to oil spill preparedness and response to a more tactical course aimed at those working in an incident command centre or managing a response operation, as well as a strategic course aimed at those with responsibility for determining preparedness levels and developing strategy in the response to a marine oil spill.

Despite our efforts, there was a minor spill amounting to 400 litres of diesel oil in 2018. Our response team acted swiftly to clean up the spill and was successful in keeping it from entering the water and causing any harm to the environment.

LOOKING AHEAD
Maintain zero environmental fines and achieve zero spills.

SUSTAINABILITY REPORT

PEOPLE

HUMAN CAPITAL MANAGEMENT

With more than 160 onshore employees working across our offices and vessels, our people are a key asset to our business. We manage our human capital by attracting the right talent, developing them and taking care of their safety and well-being.

TRIPARTITE STANDARDS

In 2018, we adopted the Tripartite Standards, a new initiative launched by the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) to distinguish ourselves as an employer with fair and progressive practices.

Tripartite Standard adopted by Pacific Radiance Ltd

TS TERM EMPLOYMENT Tripartite Standards

TS GRIEVANCE HANDLING Tripartite Standards

TS FLEXIBLE WORK ARRANGEMENTS Tripartite Standards

TS RECRUITMENT PRACTICES Tripartite Standards

The Tripartite Standards define verifiable and actionable practices that employers are committed to and implement at workplaces. The adoption of Tripartite Standards allows employers to differentiate themselves in specific key employment and workplace practices that the workforce would look for, thereby enhancing the employers' manpower attraction and retention.

LOOKING AHEAD
We are assessing the feasibility of a flexi-work program with a target to roll out by 2021.

EMPLOYEE BENEFITS AND WELL-BEING

We offer a range of benefits to our employees to ensure their well-being. In addition to competitive remuneration, insurance and other leave incentives, we offer performance development reviews for all our employees. In line with the Maritime Labour Convention, we offer financial security and insurance to seafarers in case of abandonment of ship which covers the repatriation of the employee.

We employ a number of foreign workers at our shipyard and we take care of their well-being through the provision of daily lunch subsidy and dormitory for lodging. These not only help defray their living expenses but also allow them to build camaraderie within the group. We advocate fair labour practices and allow our employees to have freedom of association. All our offshore personnel have the right to a collective bargaining agreement.

We also celebrate the diversity of our employees. Every year, we host Chinese New Year lunches and Christmas parties for our employees. We also encourage active employee participation in recreational events.

Other employee benefits include:

- Regular wellness talks by external parties
- Complimentary lunches
- Access to a modern fully-equipped gym facility

SUSTAINABILITY REPORT

PEOPLE

TRAINING AND DEVELOPMENT

We invest in the training of our people for them to achieve their full potential. This includes both on-the-job training as well as training defined by a position-based competence matrix. In addition, we also offer opportunities for our talented staff to take on overseas postings and transfers to help groom them for greater responsibilities.

4.8
average training hours/employee

789
Training Hours

LOOKING AHEAD
We are targeting to increase our training efforts and lower our voluntary turnover rate.

TALENT ATTRACTION AND RETENTION

Recruiting and retaining the right talent is crucial given the challenging environment faced by our industry today. We have participated actively in the MPA Global Internship Award since 2015. This not only provided the students with hands-on practical maritime experience but also allowed us to build a talent pipeline in the industry. We also recognise the extensive experience of our staff and continue to retain them beyond their statutory retirement age with no change in employment terms.

Despite the proactive talent attraction and staff retention measures we have put in place, our annual voluntary turnover rate has inched up to 22.1% amidst industry challenges. We will continue to fine tune our initiatives to position ourselves as an employer of choice.

Note:
Our employee numbers include Pacific Radiance, PCPL, SMS, Alstonia, Crest Subsea, CSI offshore, Crest SA

HEALTH AND SAFETY

At Pacific Radiance, the safety of our employees is our utmost priority. Our QHSSE policies and safety management system underscore our commitment in becoming a global OSV player that delivers quality services to our clients with zero incident and injuries with highest standards of protecting personnel, asset and the environment.

Our health and safety (H&S) committee meets on a monthly basis to review any cases brought up. Regular training and awareness sessions are provided to staff to avoid lapses in future. All our vessels carry medical supplies and equipment in good supplies and meet the International Convention for the Safety of Life at Sea ("SOLAS") standards.

H&S-related training is a key factor to our crew's safety. We have installed Videotel training computers across our vessels to help facilitate training on H&S-related issues for our crew on-board. In 2018, our crew completed 15,958 courses, the equivalent of 11,991 training hours. As an attestation to our commitment to safety, we currently hold the bizSAFE Level 3 certification from the Workplace Safety and Health Council.

In October 2018, we introduced the Harm and Incident Prevention (HiP) program to level up the safety culture of our workforce. The HiP program is based on the doctrine that all incidents are preventable and sets forth a clear framework for accountability, rewards for exemplary actions, as well as disciplinary measures for negative behaviour.

PERFORMANCE

NO. OF FATALITIES	NO. OF LOST TIME INJURY ("LTI")	NO. OF MEDICAL TREATMENT CASES ("MTC")	NO. OF FIRST AID CASES ("FAC")
0	16	5	5

NO. OF RESTRICTED WORK CASES ("RWC")	LOST TIME INJURY FREQUENCY ("LTIF")[1]	TOTAL RECORDABLE INCIDENT RATE ("TRIR")[2]	TOTAL MAN HOURS
1	3.8	1.3	4,161,978

Notes:
1. LTIF = No. of LTI x 1,000,000 / Total Man Hours
2. TRIR = (No. of LTI+ MTC+FAC +RWC) x 200,000 / Total Man Hours

LOOKING AHEAD
We aim to maintain zero fatalities and LTI and continue to reduce our TRIR.

SUSTAINABILITY REPORT
COMMUNITY

ECONOMIC PERFORMANCE

Attaining strong economic performance and preserving value for our stakeholders remain as our prime concerns. As the OSV sector grappled with persistent oversupply of vessels and languishing charter rates, we have to intensify our efforts in boosting our vessel utilisation and controlling costs and overheads. In 2018, we obtained approval from noteholders on our proposed notes restructuring and a scheme application will be made to the Court in the coming months to restructure substantially the Group's remaining debt obligations by way of scheme of arrangement.

(US$'000)	FY2018
Direct Economic Value Generated	**60,667**
Economic Value Distributed	**85,219**
Operating costs	53,098
Employee wages and benefits	8,827
Finance cost	22,183
Taxation	1,111
Economic Value Retained	**(24,552)**

As the company presses on with the restructuring of its capital structure, our staff have not taken lightly the need to give back to the community. In April 2018, our staff donated 146 pairs of shoes to Soles4Souls, a non-profit social enterprise which has distributed used shoes to the needy in 127 countries since 2006. The donated shoes were distributed to Soles4Souls' micro-enterprise programs that create jobs in Haiti, Honduras and other developing nations. The resulting revenue helps local entrepreneurs provide basic necessities for their families.

LOOKING AHEAD
As the company work towards the completion of the restructuring of its capital, we will continue to explore complimentary businesses to increase our revenue streams, diversify our dependence on the oil & gas industry and at the same time balancing the need to give back to the community in a prudent and sustainable manner.

SUSTAINABILITY REPORT
GRI CONTENT INDEX

GRI CONTENT INDEX

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CORPORATE GOVERNANCE REPORT

The Group is committed to maintaining a high standard of corporate governance to protect shareholders' interests and enhance shareholders' value. The Group adopts practices based on the Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012. This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 December 2018 ("FY2018"), with specific reference made to the principles and guidelines as set out in the Code and Mainboard listing manual of Singapore Exchange Securities Trading Limited (the "Listing Manual") where applicable except where otherwise stated.

BOARD MATTERS

Principle 1: The Board's conduct of its affairs

The primary function of the Board of Directors (the "Board") is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and performance reviews, key operational initiatives, major funding and investment proposals, and corporate governance practices.

In addition, the principal duties of the Board include:

- reviewing the Group's strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- overseeing the process for evaluating the adequacy of internal control, risk management, financial reporting, and compliance;
- reviewing the performance of senior management;
- reviewing the Group's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met;
- considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.

The Board has delegated certain functions to various board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC"), and Remuneration Committee ("RC"). Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The Directors' attendance at Board and board committee meetings in FY2018 is set out below:

	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
Name of Director	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**
Pang Yoke Min	3	3						
Mok Weng Vai	3	3						
Pang Wei Meng	3	2			1	1		
Lau Boon Hwee	3	3						
Yong Yin Min	3	3	4	4			1	1
Ng Tiong Gee	3	2			1	1	1	1
Ooi Chee Kar*	3	3	4	4				
Goh Chong Theng	3	3	4	4			1	1
Wong Meng Hoe**	3	1			1	1		

* appointed as a new member of the Nominating Committee of the Company on 16 July 2018.
** ceased to be a Director and his role as a member of the Nominating Committee of the Company on 16 July 2018.

CORPORATE GOVERNANCE REPORT

Matters specifically reserved for the Board's approval are those involving major acquisitions and disposal of assets not in the ordinary course of business, corporate or financial restructuring, share issuances, dividends to shareholders, and interested person transactions. Clear directions have been imposed on Management that such matters must be approved by the Board. Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to optimise operational efficiency.

The Board ensures that incoming new Directors are familiarised with the Group's businesses and corporate governance practices upon their appointment, to facilitate the effective discharge of their duties. Directors are constantly kept abreast of developments in regulatory, legal, and accounting frameworks that are of relevance to the Group through participation in the relevant training courses, seminars, and workshops.

Principle 2: Board size and board composition

The Board comprises eight Directors, four of whom are Independent Non-Executive Directors and four are Executive Directors. Taking into account the nature and scope of the Group's businesses and the number of board committees, the Board considers its current board size as appropriate.

Each year, the NC will review the size and composition of the Board and board committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent, bearing in mind the guidelines set forth in the Code and any other salient factor which would render a director to be deemed not independent. For the purpose of determining directors' independence, every Independent Director has provided declaration of their independence which is deliberated upon by the NC and the Board.

The Board also recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. When there are such directors, the Board will conduct a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these directors. Presently, none of the Independent Directors has served as Independent Director of the Group for more than nine years.

The Independent Directors make up half of the Board, which complies with the requirements set out in the Code. This provides a strong and independent element on the Board. This is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgment on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined.

The Non-Executive Directors participate actively in the Board meetings. Well equipped with their expertise, experience and knowledge, the Non-Executive Directors constructively challenge and help develop directions on strategy and review the performance of Management in achieving agreed targets and objectives and monitor the reporting of performance. Where necessary, the Non-Executive Directors do meet and discuss on the Group's affairs without the presence of Management.

Principle 3: Chairman and Chief Executive Officer

Mr. Pang Yoke Min ("Mr. Pang") is currently the Executive Chairman of the Board and the Company. Given the nature of business activities of the Group, the Board is of the view that with Mr. Pang's extensive knowledge and experience in the industry, it is more effective for him to guide the Board on the discussions on issues and challenges facing the Group and in view of the strong element of independence of the Board, it is not pertinent to separate the functions of the Chairman and CEO.

CORPORATE GOVERNANCE REPORT

The Chairman is responsible for:

- leading the Board to ensure its effectiveness;
- managing the Board's business, including supervising the work of the Board committees;
- setting the Board agenda and ensuring the information flow and timing are adequate for discussion of all set agenda items, in particular strategic issues;
- setting the tone of Board discussion to promote open and frank debate and effective decision-making;
- facilitating the effective contribution of Non-Executive Directors;
- ensuring effective communication with shareholders;
- encouraging constructive relations with the Board and between the Board and Management; and
- continuous pursuance of high standards of corporate governance.

The Board has appointed Independent Non-Executive Director, Mr. Ng Tiong Gee, as the Lead Independent Director.

Principle 4: Board membership

The NC comprises the following three members, two of whom are Independent Non-Executive Directors:

- Ng Tiong Gee (NC Chairman), Lead Independent Director
- Ooi Chee Kar, Independent Director
- Pang Wei Meng, Executive Director

The NC is responsible for:

- nomination and re-nomination of the directors of the Company having regard to their contribution, performance, and ability to commit sufficient time and attention to the affairs of the Group, taking into account their respective commitments outside the Group;
- determining annually whether or not a director is independent;
- deciding whether or not a director is able to and has been adequately carrying out his/her duties as a director;
- review of board succession plans for directors, and in particular, the Executive Chairman;
- development and implementation of a process for evaluation of the performance of the Board, its committees and directors;
- formal assessment of the effectiveness of the Board as a whole and individual director;
- review of training and professional development programs for the Board;
- review and approval of new employment of persons related to the Directors and Controlling Shareholders and the proposed terms of their employment; and
- appointment and re-appointment of directors.

The task of assessing the independence of directors is delegated to the NC. The NC reviews the independence of each Director annually, and as and when circumstances require.

Annually, each Director is required to complete a Director's Independence Checklist ("Checklist") to confirm his/her independence. The Checklist is drawn up based on the guidelines provided in the Code.

Each director must also confirm in the Checklist whether he/she considers himself/herself independent despite not having any relationships identified in the Code.

Thereafter, the NC reviews the Checklist completed by each Director, assess the independence of the Directors, and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that all the Independent Non-Executive Directors are independent.

CORPORATE GOVERNANCE REPORT

Under the guideline 4.4 of the Code, the NC should decide if a director is able to and had been adequately carrying out his/her duties as a Director of the company, taking into consideration of the director's number of listed company board representations and other principal commitments. Presently, the NC believes that each Director's contribution and devotion of time and attention to the Company's affairs, having regarded to his/her other commitments, are adequate and effective. The NC and the Board are of the view that, setting a maximum number of listed company board representations a director should have is not meaningful currently, as the contribution of each Director would depend on many factors, including whether they have a full time vocation or other responsibilities. The Board will determine the maximum number of listed company board representations which any director may hold upon recommendation by the NC at an appropriate juncture.

In determining whether a director is able to and had been adequately carrying out his/her duties as a Director of the Group, the NC also takes into account the results of the assessment of individual director, and the respective directors' actual conduct on the Board, in making this determination.

The NC has put in place a formal process for the selection of new directors to increase transparency of the nomination process in identifying and evaluating nominees for directors. The NC leads the process as follows:

- NC evaluates the balance, skills, knowledge, and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have.
- After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process.
- NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- NC recommends the most suitable candidate to the Board for appointment as director.

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing Directors, the NC takes into consideration the Director's contribution and performance (including his or her contribution and performance as an Independent Director, if applicable).

The assessment parameters include attendance record and preparedness at meetings of the Board and board committees as well as the quality of input to matters arising and any other special contribution.

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Article 111 of the Company's Constitution provides that one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-election at the Company's AGM.

In addition, Article 115 of the Company's Constitution provides that a newly appointed director during the financial year must retire and submit himself/herself for re-election at the next AGM following his/her election. Thereafter, he/she is subject to be re-elected at least once every three years.

Pursuant to Article 111 of the Company's Constitution, Mr. Ng Tiong Gee, Mr. Pang Wei Meng and Ms. Ooi Chee Kar will retire as a Director of the Company at the forthcoming AGM. Ms. Ooi had indicated to the Company that she will not be seeking for re-election and will retire as a Director of the Company at the conclusion of the coming AGM. Both Mr. Ng and Mr. Pang, being eligible, had offered themselves for re-election as a Director of the Company at the forthcoming AGM of the Company. The Board is satisfied that the Directors retiring in accordance with the Article 111 of the Company's Constitution at the forthcoming AGM are properly qualified for re-election by virtue of their skills, experience and their contribution of guidance and time to the Board. Each of the retiring Directors had abstained from deciding on their own nomination.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to Directors submitting for re-election as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is disclosed below:

Name of Director	**Ng Tiong Gee**	**Pang Wei Meng**
Date of Appointment	28 October 2013	15 November 2006
Date of last re-appointment	28 April 2016	28 April 2016
Age	57	39
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has reviewed and considered the qualification, work experience and suitability of Mr Ng for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Ng possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has reviewed and considered the qualification, work experience and suitability of Mr Pang for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mr Pang possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Executive Responsible for the operations of the Group's Subsea Business Division.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director Chairman of the Nominating Committee Member of the Remuneration Committee	Executive Director Member of the Nominating Committee
Professional qualifications	• Master of Business Administration • Bachelor of Mechanical Engineering	• Bachelor of Commerce in Finance and Accounting • Diploma in Mechanical Engineering
Working experience and occupation(s) during the past 10 years	**2017 – Present** Chairman, Yellow Pages Pte. Ltd. **2013 – 2016** SVP, Resort World Sentosa **2008 – 2013** CIO and CHRO, UTAC Group	**2006 – Present** Head, Subsea & Project Logistics Division
Shareholding interest in the listed issuer and its subsidiaries	25,000 ordinary shares	55,000 ordinary shares 166,000 rights over shares (share awards)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	Yes. Son of Mr Pang Yoke Min, Executive Chairman and substantial shareholder of the Company.
Conflict of interest (including any competing business)	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Ng Tiong Gee	Pang Wei Meng
Other Principal Commitments including Directorships		
Past	Nil	• CPC PNG Limited • Prime Offshore International Pte. Ltd. • Radiance Catico Offshore Pte. Ltd. • Titan Offshore Equipment Pte. Ltd. • Westsea Radiance Pte. Ltd.
Present	• GYP Properties Ltd. • Pacific Radiance Ltd. • Y Ventures Group Ltd. • Yellow Pages Pte. Ltd. • Yellow Pages Singularity Pte. Ltd.	• Al Hail Marine Services LLC • Alam Radiance (L) Inc. • Alam Radiance (M) Sdn. Bhd. • Allianz Radiance Pte. Ltd. • Alstonia Offshore Pte. Ltd. • AR Offshore Pte. Ltd. • Aztec Offshore Holdings Pte. Ltd. • Berjaya Offshore (Labuan) Ltd. • CA Offshore Investment Inc. • CEIBA Maritima, SAPI de CV, SOFOM ENR. • Consolidated Pipe Carriers Pte. Ltd. • Continental Radiance Offshore Pvt. Ltd. • CR Offshore SAPI de CV • Crest Offshore Marine Pte. Ltd. • Crest Shipyard Pte. Ltd. • Crest Siam Pte. Ltd. • Crest Subsea International Pte. Ltd. • CrestSA Marine & Offshore Pte. Ltd. • CSI Offshore Pte. Ltd. • DOT Radiance Pte. Ltd. • Duta Maritime Ventures Pte. Ltd. • Duta Pacific Offshore Sdn. Bhd. • Duta Radiance Maritim Sdn. Bhd. • Envestra Investments Ltd. • Firstmac Investments Ltd. • Hudson Marine Pte. Ltd. • Navigatis Radiance Pte. Ltd. • Offshore Subsea Services (Asia Pacific) Pte. Ltd. • Pacific Allianz Holdings Pte. Ltd. • Pacific Crest Pte. Ltd. • Pacific Offshore Marine Pte. Ltd. • Pacific Offshore Pte. Ltd. • Pacific Radiance Ltd. • PT Cahaya Offshore Indonesia • PT Jawa Tirtamarin • PT Marine Engineering Services • PT Subsea Offshore • Radiance Offshore Holdings Pte. Ltd. • Radiance ZJ Pte. Ltd. • SDM Marine Pte. Ltd. (In Members' Voluntary Liquidation) • Strato Maritime Services Pte. Ltd. • YM InvestCo Pte. Ltd.

CORPORATE GOVERNANCE REPORT

Name of Director	Ng Tiong Gee	Pang Wei Meng
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	Yes. Winding up petitions were filed against CSI Offshore Pte. Ltd. and Pacific Crest Pte. Ltd. on 14 May 2018. Petitions have been stayed following the filing for applications of moratorium to the Singapore High Court under section 211B(1) of the Companies Act, in context of the Group Restructuring. Please refer to announcement dated 16 May 2018 released via SGXNet for details and subsequent updates on material developments in relation to the winding up petitions.
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Ng Tiong Gee	Pang Wei Meng
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?)	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Ng Tiong Gee	Pang Wei Meng
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Ng Tiong Gee	Pang Wei Meng
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A	N/A

Principle 5: Board performance

A review of the Board's performance is conducted by the NC annually. On the recommendation of the NC, the Board has adopted an internal process for evaluating the effectiveness of the Board as a whole. The Company has also put in place a process to assess the performance of individual Directors as well as the Board Committees. Each board member will be required to complete an appraisal form to be returned to the NC Chairman for evaluation. Based on the evaluation results, the NC Chairman will present his recommendations to the Board. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance. The Chairman, in consultation with the NC, proposes, where appropriate, new directors to be appointed to the Board or seeks the resignation of directors.

Principle 6: Access to information

Management recognises the importance of ensuring the flow of information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. All Board and board committee papers are distributed to Directors in advance to allow sufficient time for Directors to prepare for the meetings.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. To facilitate direct access to the senior management, Directors are also provided with the names and contact details of the management team.

Directors have separate and independent access to the Company Secretary. The Company Secretary's responsibilities include among other things, assisting in ensuring that Board procedures are observed and that Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and Listing Manual, are complied with.

The Company Secretary and/or her representative attend and prepare minutes for all Board and board committees meetings as well as assist in ensuring coordination and liaison between the Board, the board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman/Chairperson of board committees and management in the development of the agendas for the various Board and board committee meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Should Directors, whether as a group or individually, require professional advice, the Group, upon direction by the Board, shall appoint a professional advisor selected by the Group or the individual, approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

The RC comprises the following three members, all of whom are Independent Non-Executive Directors:

- Yong Yin Min (RC Chairman)
- Ng Tiong Gee
- Goh Chong Theng

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No member of the RC is involved in deliberations in respect of any remuneration, compensation, options, or any form of benefits to be granted to him.

The members of the RC carried out their duties in accordance with the terms of reference which include the following key terms:

- review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to, director's fees, salaries, allowances, bonuses, grant of shares, and share options and benefits in kind;
- review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel;
- consult professional consultancy firms where necessary in determining remuneration packages; and
- consider the various disclosure requirements for directors' remuneration and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

Principle 8: Level and mix of remuneration

Executive Directors are paid a basic salary and a performance-related bonus linked to the performance of the Company. Key management personnel are paid a basic salary and a performance bonus based on their achievement of key performance indicators. The RC does consider long-term incentive schemes for the Executive Directors and key management personnel. In this connection, the RC shall at the relevant time look into granting of shares under the Pacific Radiance Performance Share Plan which was approved by the shareholders of the Company on 28 October 2013.

The performance-related element of the Executive Directors' remuneration is designed to align their interests with the interests of shareholders and promote the long-term success of the Company.

The RC ensures that the remuneration of the Non-Executive Directors is appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. The RC also ensures that the Non-Executive Directors, if any, should not be over-compensated to the extent that their independence may be compromised. Non-Executive Directors receive a basic fee for their services and are eligible to participate in the Pacific Radiance Performance Share Plan.

Principle 9: Disclosure of remuneration

The remuneration of each individual Director and aggregate of top key management personnel of the Group is not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

The breakdown of the Directors' and key management personnel's remuneration in bands of S$250,000 should, in the Board's assessment, provide adequate overview of the remuneration of the Directors and key management personnel.

CORPORATE GOVERNANCE REPORT

The remuneration paid to or accrued to each individual Director for FY2018 is as follows:

	Fees %	Salary[1] %	Bonus[1] %	Other Benefits[2] %	Total %
S$250,001 to S$500,000					
Pang Yoke Min	9.4	65.9	0	24.7	100
Mok Weng Vai	9.8	68.4	0	21.8	100
Pang Wei Meng	12.1	66.2	0	21.7	100
Lau Boon Hwee	10.6	68.2	0	21.2	100
Below S$250,000					
Yong Yin Min	100	–	–	–	100
Ng Tiong Gee	100	–	–	–	100
Ooi Chee Kar	100	–	–	–	100
Goh Chong Theng	100	–	–	–	100
Wong Meng Hoe*	100	–	–	–	100

* ceased to be a Director and his role as a member of the Nominating Committee of the Company on 16 July 2018.

(1) Salary and bonus include employer's contributions to Central Provident Fund.

(2) Other benefits refer to benefits-in-kind such as car, housing allowances, club membership etc. made available to directors as appropriate.

There are only two top key management personnel (who are not directors or the CEO) whom the Company considers to be key executives of the Group. The remuneration paid to or accrued to the top key management personnel (who are not directors or the CEO) for FY2018 is as follows:

	Salary[1] %	Bonus[1] %	Other Benefits[2] %	Total %
S$250,001 to S$500,000				
Pang Wei Kuan, James	64.8	0	35.2	100
Iris Chia	70.2	0	29.8	100

(1) Salary and bonus include employer's contributions to Central Provident Fund.

(2) Other benefits refer to benefits-in-kind such as car, housing allowances, club membership etc. made available to key management personnel as appropriate.

There are only two employees who are considered to be immediate family members of a director or a CEO, and whose remuneration exceeds S$50,000 in FY2018:

- Mr. Pang Wei Meng, the son of Mr. Pang Yoke Min, Executive Chairman of the Company, is employed by the Company as Executive Director and has received remuneration in that capacity.
- Mr. Pang Wei Kuan, James, the son of Mr. Pang Yoke Min, Executive Chairman of the Company, and brother of Mr Pang Wei Meng, Executive Director of the Company, is employed by the Company as Managing Director of Commercial and Business Development and has received remuneration in that capacity.

For FY2018, save as disclosed in the above table which shows the breakdown of the remuneration (in percentage terms) of Mr. Pang Wei Meng and Mr. Pang Wei Kuan, James, the Company and its subsidiaries do not have any other employee who is an immediate family member of a director and whose remuneration exceeds S$50,000.

The Company has opted to disclose the remuneration of Mr. Pang Wei Meng and Mr. Pang Wei Kuan, James, in incremental bands of S$250,000, in line with the disclosure of other Directors and top key management personnel, instead of S$50,000 according to Guideline 9.4 of the Code, due to the highly competitive industry condition, and the confidential and sensitive nature of the remuneration of its top key staff.

Details of the Pacific Radiance Performance Share Plan can be found on the Directors' Statement.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with management accounts, operations reviews and related explanations together with the financial statements on a quarterly basis and as the Board may require from time to time. The Audit Committee reviews the financial statements and reports to the Board for approval.

The Board reviews and approves the results before its release. The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters and full financial year are released to shareholders within the timeframe in line with Rule 705 of the Listing Manual. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Board also provides negative assurance confirmation to shareholders on the integrity of the quarterly financial statements.

Principle 11: Risk management and internal controls

The Board is responsible for the governance of risk. It should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Management is responsible to the Board for the design, implementation, and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies.

The Company has engaged an external professional firm as the internal auditors who will assist the Board and the AC in their review of the Group's risk management and internal control systems. The Board and the AC also work with the internal auditors, external auditors, and the Management on their recommendations to institute and execute relevant controls with a view to managing such risks.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors, discussions with external auditors and reviews performed by Management, the AC, and the Board, the Board with the concurrence of the AC affirms that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for the financial year ended 31 December 2018. This is in turn supported by assurance from the Executive Chairman and the Chief Financial Officer (i) that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) regarding the effectiveness of the Group's risk management and internal control systems.

The Board acknowledges that it is responsible for maintaining a sound system of internal control and risk management, but recognises that no cost effective internal control system and risk management will preclude all errors and irregularities. Internal controls and risk management can provide only reasonable and not absolute assurance against material misstatement, losses, human errors, fraud or other irregularities.

Principle 12: Audit committee

The AC comprises the following three members, all of whom are Independent Non-Executive Directors:

- Goh Chong Theng (AC Chairman)
- Ooi Chee Kar
- Yong Yin Min

CORPORATE GOVERNANCE REPORT

The duties of the AC include:

- review with the external auditors the audit plan, their audit result report, their management letter, and the management's response;
- review with the internal auditors the internal audit plan and their evaluation of the adequacy of the internal controls and accounting system;
- monitor and review the implementation of the external auditor's and internal auditor's recommendations concurred with management in relation to the adequacy of the internal controls and accounting system addressing financial, operational and compliance risks;
- review the quarterly and annual financial statements before submission to the Board for approval;
- consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors and approve the compensation of the external auditor;
- review interested person transactions in accordance with the requirements of the Listing Manual; and
- review any potential conflict of interest as and when the need arises and resolve such conflict of interest.

During the course of review of the financial statements for the financial year ended 31 December 2018, the AC discussed with the Management and the external auditor on the significant issues that were brought to the AC's attention. These material issues which the external auditor assessed to be most significant in its audit of the financial statements for the year under review, namely appropriateness of going concern assumption, assessment of vessel impairment, assessment of impairment of trade receivables and amount due from related companies.

The AC reviewed the work performed by the Management and made enquiries relevant to the key audit focus areas. In addition, the AC also reviewed and discussed the findings presented and related work performed by the external auditor. The AC was satisfied that these material issues have been properly addressed and appropriately adopted and disclosed in the financial statements.

The AC reviews the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. An analysis of fees paid in respect of audit and non-audit services provided by breakdown for FY2018 is disclosed in Note 7 to the financial statements. The AC has reviewed all non-audit services provided by the external auditors and is satisfied that these non-audit services would not affect the independence and objectivity of the external auditors.

The Group has complied with Rule 712, Rule 715, and Rule 716 of the Listing Manual in the appointment of its auditors. The AC recommends to the Board the reappointment of Messrs Ernst & Young LLP as the external auditors of the Group at the forthcoming AGM.

In the course of FY2018 and since its appointment, the AC carried out the following activities:

- reviewing quarterly and full year financial statements (audited and unaudited), and recommending to the Board for approval;
- reviewing and approving the interested/related parties transactions;
- reviewing and approving the annual audit plan of the external auditors;
- reviewing and approving the internal audit plan and appointment of internal auditors; and
- reviewing the annual re-appointment of the external auditors and determining their remuneration, and making a recommendation for Board approval.

The AC has also met with the auditors, without the presence of management.

The AC is kept abreast by the Management, Company Secretaries and the independent auditor of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

The Company has adopted a Whistle Blowing Policy since 2014 which sets the framework to encourage the reporting in good faith of serious concerns or escalate serious matters on a confidential basis without fear of reprisal, dismissal, or discriminatory treatment. The Whistle-Blowing Policy provides procedures to validate concerns and for investigation to be carried out independently. The Whistle-Blowing Policy has been circulated to all employees of the Group.

CORPORATE GOVERNANCE REPORT

Principle 13: Internal audit

The Company has outsourced its internal audit function to RSM Risk Advisory Pte Ltd. The internal auditor's primary line of reporting is to the AC Chairman. Administratively, the internal auditor reports to the Executive Chairman. The internal auditor carries out its function in accordance to the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC ensures that Management provides good support to the internal auditors and provides them with access to documents, records, properties, and personnel when requested in order for the internal auditors to carry out their function accordingly.

The AC review the independency, adequacy and effectiveness of the internal audit function at least annually.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders, are protected.

The Group is committed to providing shareholders with adequate, timely, and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation during the AGM which will be held at its office premise in Singapore. Shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance, and other business related matters.

Principle 15: Communication with shareholders

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective, and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in an adequate, accurate, and timely manner via SGXNet, press release, and corporate website. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNet.

The Group's corporate website is the key resource of information for shareholders. In addition to the quarterly financial results materials, it contains a wealth of investor related information on the Group, including investor presentations, annual reports, shares and dividend information and factsheets.

The Group participates in investor seminars and conferences to keep the market and investors apprised of the Group's corporate developments and financial performance. Such engagements provide invaluable insights to the Board and management on investors' views and also help the Group to identify areas of improvement for investor communication.

The Company does not have a formal dividend policy. The Company may declare an annual dividend with the approval of the shareholders in a general meeting, but the amount of such dividend shall not exceed the amount recommended by the Board. The Board may also declare an interim dividend without the approval of the shareholders.

CORPORATE GOVERNANCE REPORT

Principle 16: Conduct of shareholders meetings

The Group supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for Shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNet and published in local newspapers, as well as posted on the company website.

The Company's Constitution allows all shareholders to appoint up to two proxies to attend general meetings and vote on their behalf. As the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

At the upcoming AGM, a member who is a relevant intermediary which provide nominee or custodial services is entitled to appoint more than two proxies to attend, speak and vote at the meeting, so shareholders who hold shares through such intermediary can attend and participate in general meeting as proxies.

The Company will conduct a poll voting for all the proposed resolutions at the AGM for greater transparency in the voting process. The total numbers of votes cast for or against the resolutions will also be announced after the meeting via SGXNet.

The Company provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single item resolutions.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

Save for the services provided by an associate of Mr. Pang Yoke Min to the Group, of which the aggregate value did not exceed S$100,000, there was no other interested person transaction entered into by the Group for FY2018.

MATERIAL CONTRACTS

Save for the service agreements entered into between the Executive Directors and the Company, there was no material contract entered into by the Company and its subsidiaries involving the interests of any Director or controlling shareholders subsisting at the end of the financial year ended 31 December 2018.

DEALING IN SECURITIES

The Company has adopted an internal code on dealings in securities. Directors and Officers are not allowed to deal in the Company's shares during the periods commencing two weeks before announcement of the Group's quarterly results and one month before the announcement of the Group's full year results and ending on the date of announcement of such result, or when they are in possession of unpublished price-sensitive information on the Group. In addition, the Officers of the Company are advised not to deal in the Company's securities on short term considerations and are expected to observe the insider trading rules at all times even when dealing in the Company's securities within the permitted trading periods.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Pacific Radiance Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, based on the factors as described in Note 2.1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Pang Yoke Min
Mok Weng Vai
Pang Wei Meng
Lau Boon Hwee
Yong Yin Min
Ng Tiong Gee
Ooi Chee Kar
Goh Chong Theng

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in Paragraph 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), an interest in shares and performance shares of the Company and related corporations (other than wholly owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Pang Yoke Min	20,120,444	20,142,444	465,470,000	465,470,000
Mok Weng Vai	46,896,256	46,911,256	–	–
Pang Wei Meng	40,000	55,000	–	–
Lau Boon Hwee	1,609,970	1,624,970	–	–
Yong Yin Min	27,713,000	27,713,000	–	–
Ng Tiong Gee	25,000	25,000	–	–
Goh Chong Theng	240,000	240,000	–	–
Performance share plan of the Company				
Pang Yoke Min	436,000	255,000	–	–
Mok Weng Vai	284,000	166,000	–	–
Lau Boon Hwee	284,000	166,000	–	–
Pang Wei Meng	284,000	166,000	–	–
Ordinary shares of the holding company YM Investco Pte Ltd				
Pang Yoke Min	16,000	16,000	–	–
Pang Wei Meng	2,000	2,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' STATEMENT

5. PERFORMANCE SHARE PLAN

The Pacific Radiance Performance Share Plan ("Performance Share Plan") was approved by the shareholders on 28 October 2013 prior to the Company's listing on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 13 November 2013. The Board has appointed the Remuneration Committee (the "RC") comprising Mr Yong Yin Min, Mr Ng Tiong Gee and Mr Goh Chong Theng to administer the Performance Share Plan. No member of the RC shall participate in any deliberation or decision in respect of awards granted or to be granted to him or his associates.

The Company has granted 2,029,000 share awards in the previous financial year, under the Performance Share Plan. During the financial year, 214,000 treasury shares were reissued upon the vesting of share awards granted pursuant to the Performance Share Plan. Further details regarding the Performance Share Plan are disclosed in Note 32.

Details of the share awards granted to directors, controlling shareholder and employees of the Company pursuant to the Performance Share Plan are as follows:

Name of participant	Awards granted during financial year	Aggregate awards granted since commencement of plan to end of financial year	Aggregate awards vested since commencement of plan to end of financial year	Aggregate awards outstanding as at end of financial year
Controlling shareholder				
Pang Yoke Min	–	436,000	(22,000)	255,000
Directors				
Mok Weng Vai	–	284,000	(15,000)	166,000
Pang Wei Meng	–	284,000	(15,000)	166,000
Lau Boon Hwee	–	284,000	(15,000)	166,000
Associate of controlling shareholder other than directors				
Pang Wei Kuan, James	–	284,000	(15,000)	166,000

Since the commencement of the Performance Share Plan till the end of the financial year:

- No awards that entitle the holder to participate, by virtue of the awards, in any share issue of any other corporation have been granted.
- No participants have been granted awards which represent 5% or more of the total share awards available under the Performance Share Plan.
- No awards have been granted at a discount.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE

The Audit Committee (the "AC") has carried out its functions in accordance with section 201B (5) of the Act, including the following:

- reviewed with the external auditor the audit plan, their audit result and report, their management letter and the management's response;
- reviewed with the internal auditor the internal audit plan and their evaluation of the adequacy of the internal controls and accounting system;
- monitored and reviewed the implementation of the external auditor's and internal auditor's recommendations concurred with management in relation to the adequacy of the internal controls and accounting system addressing financial, operational and compliance risks;
- reviewed the quarterly and annual financial statements of the Group and the Company before submission to the Board for approval;
- considered the appointment or re-appointment of the external auditor and matters relating to resignation or dismissal of the auditor and approved the compensation of the external auditor;
- reviewed interested person transactions in accordance with the requirements of the Listing Manual of SGX-ST; and
- reviewed any potential conflict of interest as and when the need arises and resolve such conflict of interest.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

The AC has recommended to the board of directors that the independent auditor, Ernst & Young LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Further details regarding the AC are disclosed in the Corporate Governance Report.

7. AUDITOR

Ernst & Young LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Pang Yoke Min Director	Mok Weng Vai Director

29 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACIFIC RADIANCE LTD.

For the financial year ended 31 December 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the financial statements of Pacific Radiance Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet and the statement of changes in equity of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

<u>Use of the going concern assumption</u>

As disclosed in Note 2, the Group's current and total liabilities exceeded its current and total assets by U$486,751,000 and U$158,482,000 respectively as at 31 December 2018. For the financial year ended 31 December 2018, the Group generated a net loss of US$101,243,000, which included impairment charges of US$53,616,000, and generated a negative operating cash flow of US$8,582,000. Additionally, the Company's current liabilities and total liabilities exceeded its current and total assets by U$145,214,000 and U$145,209,000 respectively as at 31 December 2018.

As further disclosed in Note 2, 10, 26 and 40 to the financial statements, the Group had assets with a carrying value of US$300,338,000 as at 31 December 2018 that have been mortgaged to the banks to secure the Group's bank loans. In 2017, the Group breached certain terms of the bank loans and commenced discussion with bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure. The Group had an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group. Discussions with bank lenders and potential investors are still ongoing. During the current financial year, a vendor had filed winding up applications with the High Court of the Republic of Singapore (the "Court") against certain entities of the Group in relation to statutory demands for payment for services. The Court has granted the Company and certain entities of the Group moratoria which have been extended to 18 April 2019.

As disclosed in Note 27, on 24 August 2018, the noteholders approved the terms of restructuring of the notes payable, including the extension of the maturity date of the notes payable from 29 August 2018 to 30 September 2019, subject to sanction of the above restructuring scheme by the Court and shareholders' approval.

As disclosed in Note 2, the Group has also received an alternative restructuring proposal and has executed a binding term sheet with parties who control vessel owning and logistics services entities (the "Promoters"). The alternative restructuring proposal is subject to, amongst others, regulatory and shareholders' approval as well as successful debt restructuring of the Group. The Group is currently in the process of completing its due diligence and in discussion with bank lenders on the restructuring proposals.

These factors give rise to material uncertainties on the appropriateness of the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and the Company.

The financial statements have been prepared using the going concern assumption as the Directors are of the view that the Group and the Company will be able to successfully complete the restructuring exercise as discussed in Note 2. However, we are unable to obtain sufficient appropriate evidence to conclude whether the use of the going concern assumption to prepare these financial statements is appropriate as the outcome of the restructuring exercise has yet to be concluded satisfactorily at the date of these financial statements and is inherently uncertain.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACIFIC RADIANCE LTD.

For the financial year ended 31 December 2018

Basis for Disclaimer of Opinion (Cont'd)

Use of the going concern assumption (Cont'd)

If the going concern assumption is not appropriate and the financial statements were presented on a realisation basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the balance sheet. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and Company may have to reclassify its non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to these financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the Financial Reporting Standards in Singapore ("FRSs"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Responsibilities of Auditor for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the Group and Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis of Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chan Yew Kiang.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

29 March 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000 Restated
Revenue	4	**60,667**	67,675
Cost of sales		**(65,040)**	(86,507)
Gross profit		**(4,373)**	(18,832)
Other operating income	5	**8,248**	13,092
General and administrative expenses		**(15,300)**	(16,598)
Other operating expenses		**(54,833)**	(279,611)
Finance costs	6	**(22,183)**	(19,615)
Share of results of joint ventures		**1,021**	(14,015)
Share of results of associates		**(12,712)**	(4,945)
Loss before taxation	7	**(100,132)**	(340,524)
Taxation	8	**(1,111)**	(2,748)
Loss for the year		**(101,243)**	(343,272)
Loss for the year attributable to:			
Equity holders of the Company		**(99,397)**	(332,586)
Non-controlling interests		**(1,846)**	(10,686)
		(101,243)	(343,272)
Loss per share attributable to equity holders of the Company (US cents per share)			
Basic	9	**(13.9)**	(46.6)
Diluted	9	**(13.9)**	(46.6)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	2018 US$'000	2017 US$'000 Restated
Loss for the year	**(101,243)**	(343,272)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
– Foreign currency translation	**420**	(1,430)
– Net fair value changes on cash flow hedges	**401**	612
– Net fair value changes on cash flow hedges, reclassified to profit or loss	**(443)**	–
– Share of other comprehensive income of an associate	**(60)**	325
	318	(493)
Items that will not be reclassified to profit or loss		
– Re-measurement of defined benefit plans	**10**	1
Other comprehensive income for the year, net of tax	**328**	(492)
Total comprehensive income for the year	**(100,915)**	(343,764)
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**(99,070)**	(333,075)
Non-controlling interests	**(1,845)**	(10,689)
	(100,915)	(343,764)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2018

	Note	Group 2018 US$'000	Group 31 December 2017 US$'000 Restated	Group 1 January 2017 US$'000 Restated	Company 2018 US$'000	Company 31 December 2017 US$'000	Company 1 January 2017 US$'000
ASSETS							
Non-current assets							
Property, plant and equipment	10	**284,349**	389,105	613,772	**–**	–	–
Investment in subsidiaries	11	**–**	–	–	**5**	39,817	48,833
Investment in associates	12	**–**	12,771	–	**–**	–	–
Investment in joint ventures	13	**6,438**	5,417	60,346	**–**	–	–
Club memberships		**156**	156	296	**–**	–	–
Amounts due from related companies	14	**52,172**	40,056	62,143	**–**	–	–
Derivatives	15	**118**	114	12	**–**	–	–
		343,233	447,619	736,569	**5**	39,817	48,833
Current assets							
Inventories	16	**402**	362	873	**–**	–	–
Trade receivables	17	**17,683**	18,607	10,359	**–**	–	–
Other receivables	18	**4,016**	7,015	14,884	**37**	32	35
Amounts due from related companies	14	**39,677**	60,676	89,177	**141,448**	170,180	373,627
Derivatives	15	**17**	39	–	**–**	–	–
Investment securities	19	**39**	77	69	**–**	–	–
Assets held for sale	10	**32,954**	346	1,768	**–**	–	–
Cash and bank balances	20	**30,731**	39,377	50,628	**613**	3,295	4,126
		125,519	126,499	167,758	**142,098**	173,507	377,788
Total assets		**468,752**	574,118	904,327	**142,103**	213,324	426,621
EQUITY AND LIABILITIES							
Current liabilities							
Trade payables	21	**15,717**	17,706	13,330	**–**	–	–
Other liabilities	22	**69,724**	57,531	53,841	**9,342**	3,261	2,190
Amounts due to related companies	25	**8,437**	7,407	3,977	**204,620**	190,520	176,682
Bank loans	26	**443,021**	451,921	49,029	**–**	–	–
Notes payable	27	**73,350**	73,344	–	**73,350**	73,344	–
Provision for taxation		**1,446**	1,496	2,304	**–**	20	227
Finance lease obligations	28	**575**	337	206	**–**	–	–
Derivatives	15	**–**	5,504	–	**–**	5,504	–
		612,270	615,246	122,687	**287,312**	272,649	179,099
Net current (liabilities)/ assets		**(486,751)**	(488,747)	45,071	**(145,214)**	(99,142)	198,689

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		2018 US$'000	**31 December 2017 US$'000 Restated**	**1 January 2017 US$'000 Restated**	**2018 US$'000**	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Non-current liabilities							
Other liabilities	22	**11,717**	11,717	12,276	**–**	–	–
Provisions	23	**238**	241	220	**–**	–	–
Deferred capital grant	24	**–**	1,418	1,418	**–**	–	–
Bank loans	26	**–**	–	397,016	**–**	–	–
Notes payable	27	**–**	–	67,806	**–**	–	67,806
Deferred tax liabilities	29	**2,920**	2,586	1,736	**–**	–	–
Finance lease obligations	28	**89**	363	560	**–**	–	–
Derivatives	15	**–**	3	12,005	**–**	–	11,802
		14,964	16,328	493,037	**–**	–	79,608
Total liabilities		**627,234**	631,574	615,724	**287,312**	272,649	258,707
Net (liabilities)/assets		**(158,482)**	(57,456)	288,603	**(145,209)**	(59,325)	167,914
Equity attributable to equity holders of the Company							
Share capital	30(a)	**162,854**	162,854	162,854	**162,854**	162,854	162,854
Treasury shares	30(b)	**(2,485)**	(2,530)	(2,530)	**(2,485)**	(2,530)	(2,530)
(Accumulated losses)/ retained earnings		**(298,408)**	(198,917)	133,669	**(305,761)**	(219,915)	7,978
Other reserves	31	**(3,763)**	(4,049)	(3,602)	**183**	266	(388)
		(141,802)	(42,642)	290,391	**(145,209)**	(59,325)	167,914
Non-controlling interests		**(16,680)**	(14,814)	(1,788)	**–**	–	–
Total equity		**(158,482)**	(57,456)	288,603	**(145,209)**	(59,325)	167,914

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Group	Note	Share capital US$'000	Treasury shares US$'000	Retained earnings/ (accumulated losses) US$'000	Total other reserves US$'000	Foreign currency translation reserve US$'000	Employee share-based payments reserve US$'000	Hedging reserve US$'000	Defined benefit plan US$'000	Capital reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to equity holders of the Company											
Balance at 1 January 2017		162,854	(2,530)	142,663	(12,179)	(8,577)	182	(681)	76	(3,179)	290,808	(1,788)	289,020
Adoption of SFRS(I) 1		–	–	(8,994)	8,577	8,577	–	–	–	–	(417)	–	(417)
Balance at 1 January 2017 (restated)		162,854	(2,530)	133,669	(3,602)	–	182	(681)	76	(3,179)	290,391	(1,788)	288,603
Loss for the year (restated)		–	–	(332,586)	–	–	–	–	–	–	(332,586)	(10,686)	(343,272)
Other comprehensive income													
– Foreign exchange translation	31(a)	–	–	–	(1,427)	(1,427)	–	–	–	–	(1,427)	(3)	(1,430)
– Net fair value changes on cash flow hedges	31(c)	–	–	–	612	–	–	612	–	–	612	–	612
– Re-measurement of defined benefit plans	31(d)	–	–	–	1	–	–	–	1	–	1	–	1
– Reclassification to profit or loss on dilution of interest in joint venture		–	–	–	(15)	–	–	(12)	(3)	–	(15)	–	(15)
– Share of other comprehensive income of a joint venture	31(c)	–	–	–	340	–	–	340	–	–	340	–	340
Total comprehensive income for the year		–	–	(332,586)	(489)	(1,427)	–	940	(2)	–	(333,075)	(10,689)	(343,764)
Contributions by and distributions to equity holders													
– Grant of equity-settled share performance awards to employees	32	–	–	–	42	–	42	–	–	–	42	–	42
Total contributions by and distributions to equity holders		–	–	–	42	–	42	–	–	–	42	–	42
Changes in ownership interests in subsidiaries													
– Return of capital to non-controlling interests of a subsidiary		–	–	–	–	–	–	–	–	–	–	(1,843)	(1,843)
– Liquidation of a subsidiary		–	–	–	–	–	–	–	–	–	–	(494)	(494)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	(2,337)	(2,337)
Balance at 31 December 2017		162,854	(2,530)	(198,917)	(4,049)	(1,427)	224	259	74	(3,179)	(42,642)	(14,814)	(57,456)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

		Attributable to equity holders of the Company											
Group	**Note**	**Share capital US$'000**	**Treasury shares US$'000**	**Accumulated losses US$'000**	**Total other reserves US$'000**	**Foreign currency translation reserve US$'000**	**Employee share-based payments reserve US$'000**	**Hedging reserve US$'000**	**Defined benefit plan US$'000**	**Capital reserve US$'000**	**Total US$'000**	**Non-controlling interests US$'000**	**Total equity US$'000**
Balance at 31 December 2017 (restated)		162,854	(2,530)	(198,917)	(4,049)	(1,427)	224	259	74	(3,179)	(42,642)	(14,814)	(57,456)
Adoption of SFRS(I) 9		–	–	(94)	–	–	–	–	–	–	(94)	(5)	(99)
Balance at 1 January 2018 (restated)		162,854	(2,530)	(199,011)	(4,049)	(1,427)	224	259	74	(3,179)	(42,736)	(14,819)	(57,555)
Loss for the year		–	–	(99,397)	–	–	–	–	–	–	(99,397)	(1,846)	(101,243)
Other comprehensive income													
– Foreign exchange translation	31(a)	–	–	–	419	419	–	–	–	–	419	1	420
– Net fair value changes on cash flow hedges	31(c)	–	–	–	401	–	–	401	–	–	401	–	401
– Net fair value changes on cash flow hedges, reclassified to profit or loss		–	–	–	(443)	–	–	(443)	–	–	(443)	–	(443)
– Re-measurement of defined benefit plans	31(d)	–	–	–	10	–	–	–	10	–	10	–	10
– Share of other comprehensive income of an associate		–	–	–	(60)	–	–	(103)	43	–	(60)	–	(60)
Total comprehensive income for the year		–	–	(99,397)	327	419	–	(145)	53	–	(99,070)	(1,845)	(100,915)
Contributions by and distributions to equity holders													
– Grant of equity-settled share performance awards to employees	32	–	–	–	4	–	4	–	–	–	4	–	4
– Treasury shares reissued pursuant to employee share award plan		–	45	–	(45)	–	(15)	–	–	(30)	–	–	–
Total contributions by and distributions to equity holders		–	45	–	(41)	–	(11)	–	–	(30)	4	–	4
Changes in ownership interests in subsidiaries													
– Return of capital to non-controlling interests of a subsidiary		–	–	–	–	–	–	–	–	–	–	(16)	(16)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	(16)	(16)
Balance at 31 December 2018		162,854	(2,485)	(298,408)	(3,763)	(1,008)	213	114	127	(3,209)	(141,802)	(16,680)	(158,482)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Company	Note	Share capital US$'000	Treasury Shares US$'000	Retained earnings/ (accumulated losses) US$'000	Total other reserves US$'000	Employee share-based payments reserve US$'000	Hedging reserve US$'000	Total equity US$'000
Balance at 1 January 2017		162,854	(2,530)	7,978	(388)	182	(570)	167,914
Loss for the year		–	–	(227,893)	–	–	–	(227,893)
Other comprehensive income								
– Net fair value changes on cash flow hedges	31(c)	–	–	–	612	–	612	612
Total comprehensive income for the year		–	–	(227,893)	612	–	612	(227,281)
Contributions by and distributions to equity holders								
– Grant of equity-settled performance share awards to employees		–	–	–	42	42	–	42
Total contributions by and distributions to equity holders		–	–	–	42	42	–	42
Balance as at 31 December 2017		162,854	(2,530)	(219,915)	266	224	42	(59,325)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Company	Note	Share capital US$'000	Treasury Shares US$'000	Accumulated losses US$'000	Total other reserves US$'000	Employee share-based payments reserve US$'000	Hedging reserve US$'000	Capital reserve US$'000	Total equity US$'000
Balance at 1 January 2018		162,854	(2,530)	(219,915)	266	224	42	–	(59,325)
Loss for the year		–	–	(85,846)	–	–	–	–	(85,846)
Other comprehensive income									
– Net fair value changes on cash flow hedges	31(c)	–	–	–	401	–	401	–	401
– Net fair value changes on cash flow hedges, reclassified to profit or loss		–	–	–	(443)	–	(443)	–	(443)
Total comprehensive income for the year		–	–	(85,846)	(42)	–	(42)	–	(85,888)
Contributions by and distributions to equity holders									
– Grant of equity-settled performance share awards to employees		–	–	–	4	4	–	–	4
– Treasury shares reissued pursuant to employee share award plan		–	45	–	(45)	(15)	–	(30)	–
Total contributions by and distributions to equity holders		–	45	–	(41)	(11)	–	(30)	4
Balance as at 31 December 2018		162,854	(2,485)	(305,761)	183	213	–	(30)	(145,209)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000 Restated
Cash flows from operating activities:			
Loss before taxation		**(100,132)**	(340,524)
Adjustments for:			
Depreciation of property, plant and equipment	10	**18,415**	29,963
Finance costs	6	**22,183**	19,615
Interest income	5	**(1,696)**	(6,350)
Share of results of joint ventures		**(1,021)**	14,015
Share of results of associates		**12,712**	4,945
Loss on sale of property, plant and equipment, net	7	**22**	1,871
(Gain)/loss on disposal of assets held for sale	7	**(4)**	180
Net loss on assets sold under hire purchase	7	**–**	2,427
Impairment of doubtful receivables, net	7	**1,439**	7,527
Impairment of amounts due from related companies	7	**13,044**	65,908
Impairment of property, plant and equipment	7	**39,133**	178,070
Impairment of investment in associate and joint venture	7	**–**	20,643
Net gain on debt forgiveness of bank loan	5	**(3,156)**	–
Net gain on termination of shipbuilding contract	5	**(1,190)**	–
Net gain on termination of vessel lease contract	5	**(1,248)**	–
Net fair value changes on cash flow hedges, reclassified to profit or loss	31(c)	**443**	–
Loss on disposal of club membership	7	**–**	125
Net gain on liquidation of a subsidiary	5	**–**	(437)
Net fair value loss/(gain) on derivatives	7	**14**	(340)
Net fair value loss/(gain) on held for trading investment securities	7	**33**	(3)
Gain on non-refundable of deposit	5	**–**	(2,441)
Loss on dilution of investment in joint venture	7	**–**	2,392
Share-based payment expense	32	**4**	42
Exchange differences		**918**	(559)
Operating cash flows before changes in working capital		**(87)**	(2,931)
Decrease/(increase) in trade and other receivables		**3,479**	(2,218)
Increase in amounts due from related companies, net		**(5,058)**	(9,316)
(Increase)/decrease in inventories		**(40)**	511
(Decrease)/increase in trade payables and other liabilities		**(953)**	5,713
Cash used in operations		**(2,659)**	(8,241)
Taxes paid		**(987)**	(2,261)
Interest paid		**(5,085)**	(12,900)
Interest received		**149**	493
Net cash flows used in operating activities		**(8,582)**	(22,909)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000 Restated
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	**(1,530)**	(2,362)
Proceeds from sale of property, plant and equipment		**4,628**	13,228
Proceeds from sale of assets held for sale		**350**	1,588
Investment in joint ventures		**–**	(200)
Investment in an associate		**–**	(2,000)
Net cash outflow on liquidation of subsidiary		**–**	(57)
Loan repayment from related companies, net		**722**	1,370
Net cash flows generated from investing activities		**4,170**	11,567
Cash flows from financing activities:			
Return of capital to minority shareholders of subsidiary		**(16)**	(585)
Repayment of finance lease obligations	28	**(22)**	(270)
Proceeds from bank loans	26	**–**	45,959
Repayment of bank loans	26	**(4,147)**	(45,207)
Cash and bank balances released as securities		**3,412**	1,479
Net cash flows (used in)/generated from financing activities		**(773)**	1,376
Net decrease in cash and bank balances		**(5,185)**	(9,966)
Effect of exchange rate changes on cash and bank balances		**(49)**	194
Cash and bank balances at 1 January		**32,519**	42,291
Cash and bank balances at 31 December	20	**27,285**	32,519

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1. CORPORATE INFORMATION

Pacific Radiance Ltd. (the “Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST"). The immediate and ultimate holding company is YM Investco Pte Ltd, incorporated in Singapore.

The registered office and principal place of business of the Company is located at 15 Pandan Road, Singapore 609263.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (“FRS”). The financial statements for the year ended 31 December 2018 have been prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (USD or US$) and all values in the tables are rounded to the nearest thousand (US$'000), except when otherwise indicated.

As at 31 December 2018, the Company's current and total liabilities exceeded its current and total assets by US$145,214,000 (2017: US$99,142,000) and US$145,209,000 (2017: US$59,325,000) respectively. For the financial year ended 31 December 2018, the Group incurred a net loss of US$101,243,000 (2017: US$343,272,000), which included impairment charges of US$53,616,000 (2017: US$272,148,000), and a negative operating cash flow of US$8,582,000 (2017: US$22,909,000). As at 31 December 2018, the Group's current and total liabilities exceeded its current and total assets by US$486,751,000 (2017:US$488,747,000) and US$158,482,000 (2017: US$57,456,000) respectively.

As disclosed in Note 26, the Group breached certain terms of the bank loans and commenced discussion with bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure in 2017. The Group had an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group. Discussions with bank lenders and potential investors are still ongoing. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under Section 210(1) of the Companies Act (the “Scheme”).

As disclosed in Note 27, on 24 August 2018, the noteholders approved the terms of restructuring of the notes payable, including the extension of the maturity date of the notes payable from 29 August 2018 to 30 September 2019, subject to sanction of the Scheme by the High Court of the Republic of Singapore (the “Court”) and shareholders' approval.

On 20 December 2018, the Group announced that it had received an alternative restructuring proposal and had executed a binding term sheet with parties who control vessel owning and logistics services entities (the “Promoters”). The term sheet sets out the legally binding agreed key terms between the Company and the Promoters, and forms the basis for entry into definitive agreements for this alternative restructuring proposal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

Under the term sheet, the Company will acquire 100% of a target company (the "Target"), into which the Promoters will procure the injection of its vessel owning and logistics services business and assets worth approximately US$180 million. The Group will issue and allot new Company ordinary shares to the owners (the "Vendors") to acquire the Target. When the conditions precedent are fulfilled, this will result in a merger of the Company and the Target, and the Vendors will end up with a significant shareholding in the Company. The merged entity will be jointly managed by key management of the Company and the Promoters. The acquisition is subject to, inter alia, regulatory and shareholders' approval as well as successful debt restructuring of the Group. The Group is currently in the process of completing its due diligence on the Target and in discussion with bank lenders on the restructuring proposals.

During the financial year, a vendor filed winding up applications with the Court against certain other entities of the Group in relation to statutory demands for payment for services. As disclosed in Note 40, the Court has granted the Company and certain other entities of the Group moratoria under section 211(B)(1) of the Companies Act. The moratoria have been extended to 18 April 2019 to allow more time for discussions with bank lenders. The Group intends to seek further extension of the moratoria at the next hearing.

Taking into consideration that the Group and the Promoters have executed a binding term sheet, the noteholders have approved the restructuring of the notes payable, the moratoria extended by the Court and the ongoing engagement with the bank lenders, the directors are of the opinion that the use of going concern assumption in preparing the accompanying financial statements is appropriate.

If the financial statements were presented on a realisation basis, the carrying value of its assets and liabilities may be materially different. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and Company may have to reclassify its non-current assets as current assets. No such adjustments have been made to these financial statements.

2.2 First time adoption of SFRS(I)

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First time adoption of SFRS(I) (Cont'd)

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of US$8,577,000 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

Following the withdrawal of Recommended Accounting Practice (RAP) 8 *Foreign income not remitted to Singapore*, the Group recognised an additional deferred tax liability of US$417,000 for foreign income not remitted to Singapore by adjusting the retained earnings as at 1 January 2017.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First time adoption of SFRS(I) (Cont'd)

SFRS(I) 9 *Financial Instruments* (Cont'd)

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group has a business model to collect contractual cash flows. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For equity securities, the Group continues to measure its currently held-for-trading equity securities at FVPL.

The Group has assessed which business model apply to the financial assets held by the Group at 1 January 2018 and the initial application of SFRS(I) 9 does not have any reclassification effect to the Group and Company's financial statements.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of US$53,000, and amounts due from related companies of US$46,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First time adoption of SFRS(I) (Cont'd)

SFRS(I) 9 *Financial Instruments* (Cont'd)

Impairment (Cont'd)

The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease of US$94,000 in retained earnings and US$5,000 in non-controlling interests as at 1 January 2018.

The Company did not have any additional impairment on its financial assets upon adoption of SFRS(I) 9 as at 1 January 2018.

The reconciliation for loss allowances for the Group are as follow:

	Trade receivables US$'000	Amounts due from related companies carried at amortised cost US$'000
Opening loss allowance as at 1 January 2018	13,544	70,036
Amount restated through opening retained earnings	53	46
Adjusted loss allowance	13,597	70,082

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been the same.

The Group is in the businesses of chartering of offshore support vessels, subsea vessels and provision of ship repair services. The performance obligations under the charter contracts are satisfied and charter revenue is recognised over the duration of the charter period. Transaction price is based on the contracted charter rate on a per day basis. The performance obligations for ship repair services are satisfied and ship repair revenue is recognised upon completion of the repair works.

The initial application of SFRS(I) 15 does not have any significant financial impact to the Group and Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First time adoption of SFRS(I) (Cont'd)

Effects of first-time adoption of SFRS(I)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	1 January 2017 (FRS) US$'000	Group SFRS(I) 1 adjustments US$'000	1 January 2017 (SFRS(I)) US$'000
Assets			
Non-current assets			
Property, plant and equipment	613,772	–	613,772
Investment in associates	–	–	–
Investment in joint ventures	60,346	–	60,346
Club memberships	296	–	296
Amounts due from related companies	62,143	–	62,143
Derivatives	12	–	12
	736,569	–	736,569
Current assets			
Inventories	873	–	873
Trade receivables	10,359	–	10,359
Other receivables	14,884	–	14,884
Amounts due from related companies	89,177	–	89,177
Investment securities	69	–	69
Assets held for sale	1,768	–	1,768
Cash and bank balances	50,628	–	50,628
	167,758	–	167,758
Total assets	904,327	–	904,327
Equity and liabilities			
Current liabilities			
Trade payables	13,330	–	13,330
Other liabilities	53,841	–	53,841
Amounts due to related companies	3,977	–	3,977
Bank loans	49,029	–	49,029
Provision for taxation	2,304	–	2,304
Finance lease obligations	206	–	206
	122,687	–	122,687
Non-current liabilities			
Other liabilities	12,276	–	12,276
Provisions	220	–	220
Deferred capital grant	1,418	–	1,418
Bank loans	397,016	–	397,016
Notes payable	67,806	–	67,806
Deferred tax liabilities	1,319	417	1,736
Finance lease obligations	560	–	560
Derivatives	12,005	–	12,005
	492,620	417	493,037
Total liabilities	615,307	417	615,724
Net assets	289,020	(417)	288,603

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First time adoption of SFRS(I) (Cont'd)

Effects of first-time adoption of SFRS(I) (Cont'd)

	1 January 2017 (FRS) US$'000	Group SFRS(I) 1 adjustments US$'000	1 January 2017 (SFRS(I)) US$'000
Equity attributable to equity holders of the Company			
Share capital	162,854	–	162,854
Treasury shares	(2,530)	–	(2,530)
Retained earnings	142,663	(8,994)	133,669
Other reserves	(12,179)	8,577	(3,602)
	290,808	(417)	290,391
Non-controlling interests	(1,788)	–	(1,788)
Total equity	289,020	(417)	288,603

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	Group				
	31 December 2017 (FRS) US$'000	SFRS(I) 1 adjustments US$'000	31 December 2017 (SFRS(I)) US$'000	SFRS(I) 9 adjustments US$'000	1 January 2018 (SFRS(I)) US$'000
Assets					
Non-current assets					
Property, plant and equipment	389,105	–	389,105	–	**389,105**
Investment in associates	12,771	–	12,771	–	**12,771**
Investment in joint ventures	5,417	–	5,417	–	**5,417**
Club memberships	156	–	156	–	**156**
Amounts due from related companies	40,056	–	40,056	–	**40,056**
Derivatives	114	–	114	–	**114**
	447,619	–	447,619	–	**447,619**
Current assets					
Inventories	362	–	362	–	**362**
Trade receivables	18,607	–	18,607	(53)	**18,554**
Other receivables	7,015	–	7,015	–	**7,015**
Amounts due from related companies	60,676	–	60,676	(46)	**60,630**
Derivatives	39	–	39	–	**39**
Investment securities	77	–	77	–	**77**
Assets held for sale	346	–	346	–	**346**
Cash and bank balances	39,377	–	39,377	–	**39,377**
	126,499	–	126,499	(99)	**126,400**
Total assets	574,118	–	574,118	(99)	**574,019**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First time adoption of SFRS(I) (Cont'd)

Effects of first-time adoption of SFRS(I) (Cont'd)

	Group				
	31 December 2017 (FRS) US$'000	SFRS(I) 1 adjustments US$'000	31 December 2017 (SFRS(I)) US$'000	SFRS(I) 9 adjustments US$'000	1 January 2018 (SFRS(I)) US$'000
Equity and liabilities					
Current liabilities					
Trade payables	17,706	–	17,706	–	**17,706**
Other liabilities	57,531	–	57,531	–	**57,531**
Amounts due to related companies	7,407	–	7,407	–	**7,407**
Bank loans	451,921	–	451,921	–	**451,921**
Notes payables	73,344	–	73,344	–	**73,344**
Provision for taxation	1,496	–	1,496	–	**1,496**
Finance lease obligations	337	–	337	–	**337**
Derivatives	5,504	–	5,504	–	**5,504**
	615,246	–	615,246	–	**615,246**
Non-current liabilities					
Other liabilities	11,717	–	11,717	–	**11,717**
Provisions	241	–	241	–	**241**
Deferred capital grant	1,418	–	1,418	–	**1,418**
Deferred tax liabilities	2,065	521	2,586	–	**2,586**
Finance lease obligations	363	–	363	–	**363**
Derivatives	3	–	3	–	**3**
	15,807	521	16,328	–	**16,328**
Total liabilities	631,053	521	631,574	–	**631,574**
Net liabilities	(56,935)	(521)	(57,456)	(99)	**(57,555)**
Equity attributable to equity holders of the Company					
Share capital	162,854	–	162,854	–	**162,854**
Treasury shares	(2,530)	–	(2,530)	–	**(2,530)**
Accumulated losses	(189,819)	(9,098)	(198,917)	(94)	**(199,011)**
Other reserves	(12,626)	8,577	(4,049)	–	**(4,049)**
	(42,121)	(521)	(42,642)	(94)	**(42,736)**
Non-controlling interests	(14,814)	–	(14,814)	(5)	**(14,819)**
Total equity	(56,935)	(521)	(57,456)	(99)	**(57,555)**

The adoption of SFRS(I), including application of new standards on 1 January 2017, 31 December 2017 and 1 January 2018 does not have any impact to the balance sheet of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First time adoption of SFRS(I) (Cont'd)

Effects of first-time adoption of SFRS(I) (Cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the comprehensive income of the Group for the year ended 31 December 2017.

	2017 (FRS) US$'000	SFRS(I) 1 adjustments US$'000	2017 (SFRS(I)) US$'000
Revenue	67,675	–	67,675
Cost of sales	(86,507)	–	(86,507)
Gross profit	(18,832)	–	(18,832)
Other operating income	13,092	–	13,092
General and administrative expenses	(16,598)	–	(16,598)
Other operating expenses	(279,611)	–	(279,611)
Finance costs	(19,615)	–	(19,615)
Share of results of joint ventures	(14,015)	–	(14,015)
Share of results of associates	(4,945)	–	(4,945)
Loss before taxation	(340,524)	–	(340,524)
Taxation	(2,644)	(104)	(2,748)
Loss for the year	(343,168)	(104)	(343,272)
Other comprehensive income items that will not be reclassified to profit or loss	1	–	1
Other comprehensive income items that will be reclassified to profit or loss	(493)	–	(493)
Other comprehensive income for the year, net of tax	(492)	–	(492)
Total comprehensive income for the year	(343,660)	(104)	(343,764)
Total comprehensive income attributable to:			
Equity holders of the Company	(332,971)	(104)	(333,075)
Non-controlling interests	(10,689)	–	(10,689)
Total comprehensive income for the year	(343,660)	(104)	(343,764)
Loss per share attributable to equity holders of the Company (US cents per share)			
Basic	(46.6)	–	(46.6)
Diluted	(46.6)	–	(46.6)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

<u>SFRS(I) 16 *Leases*</u>

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (Cont'd)

SFRS(I) 16 *Leases* (Cont'd)

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of US$7,984,000 and lease liabilities of US$7,984,000 for its leases previously classified as operating leases as of 1 January 2019.

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (Cont'd)

(b) *Business combinations and goodwill* (Cont'd)

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

The total impairment loss of a cash-generating unit is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency

The financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property and buildings includes provision for reinstatement costs as stated in Note 2.18.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Vessels: 20 or 25 years
- Drydocking expenditure: 5 years
- Plant and equipment: 3 to 5 years
- Property and buildings: 20 years & over the remaining life of the leases

Assets under construction are not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (Cont'd)

The Group periodically drydocks each owned vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Generally, each vessel is drydocked every 5 years. A substantial portion of the costs incurred during drydocking is capitalised and these costs are amortised on a straight-line basis from the completion of a drydock to the estimated completion of the next drydocking. Costs for routine repairs and maintenance performed during drydocking that do not improve or extend the useful lives of the vessels are immediately expensed off. The number of drydockings undertaken in a given period and the nature of the work performed determine the level of drydocking expenditures.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Club memberships

Club memberships were acquired separately and have indefinite useful lives. These club memberships are tested for impairment annually, or more frequently.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. The Group has not classified any joint arrangement as joint operation during the financial year. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint ventures is set out in Note 2.12.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investments in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investments. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial instruments (Cont'd)

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.14 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as cross currency swaps and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the financial year.

The fair value of interest rate swaps and cross currency swaps are determined by reference to market values for similar instruments.

Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting. The Group designates certain derivatives as cash flow hedges when there is hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Derivative financial instruments and hedging activities (Cont'd)

Hedge accounting (Cont'd)

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss in other operating income or other operating expenses.

The Group uses cross currency swaps as hedges of its exposure to foreign currency risks in the notes payable. Refer to Note 15 for more details.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the firm commitment occurs.

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default contractual payments are 270 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Cash and bank balances

Cash and bank balances comprise cash at banks and on hand, short-term bank deposits and cash in holding accounts that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash pledged is excluded from cash and cash equivalents.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes costs of purchases and other costs incurred in bringing the inventories to their present location and condition.

Work-in-progress is recorded at the lower of cost and net realisable value.

Costs include all direct materials, labour costs and those indirect costs incurred in connection with projects on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for reinstatement costs

The Group recognised a provision for reinstatement cost when there is obligation to restore the property, plant and equipment to its original condition upon termination of the contract leases. The reinstatement cost is estimated when modifications are performed on the properties, based on quotations from contractors and management's experience. The provision for reinstatement cost is reviewed annually and adjusted as appropriate. The estimated reinstatement cost is included as part of cost of property, plant and equipment as stated in Note 2.7.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.15 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Defined benefit plans*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Employee benefits (Cont'd)

(b) *Defined benefit plans (Cont'd)*

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

(c) *Performance share plan*

Employees of the Group receive remuneration in the form of share awards as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the awards at the date on which the awards are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share-based payment reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share-based payment reserve is transferred to retained earnings upon expiry of the share plan.

(d) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Assets leased out under operating leases are included in property, plant and equipment and are stated at cost less accumulated depreciation and impairment loss.

2.24 Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment once classified as held for sale are not depreciated.

2.25 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Revenue (Cont'd)

Revenue from bareboat and time chartering activities is recognised in profit or loss based on the duration of the contracts. Ancillary time charter revenue is recognised over time on a straight-line basis based on the number of days of the charter period, and the corresponding costs are charged to profit or loss using the same basis.

Revenue from ship repair works is recognised at a point in time when the repair works are completed and accepted by the customer.

Management fees and ship management fee income are recognised over time when the services are rendered.

Interest income is recognised over time using the effective interest method.

Dividend income is recognised at a point in time when the Group's right to receive the payment is established.

2.26 Income taxes and other taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Income taxes and other taxes (Cont'd)

(b) *Deferred tax* (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2.27 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.29 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the judgement that the use of going concern assumption is appropriate as further disclosed in Note 2.1. Management has also made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Judgements made in applying accounting policies (Cont'd)

(b) Joint arrangements

The Group has interests in joint arrangements as listed in Note 13. The Group has joint control over these arrangements as under the contractual agreements, joint consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangements are structured as limited companies and provide the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, these arrangements are classified as joint ventures.

(c) Income taxes

The Group has exposure to income taxes in the respective jurisdictions in which it operates. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities at 31 December 2018 were US$1,446,000 (31 December 2017: US$1,496,000, 1 January 2017: US$2,304,000) and US$2,920,000 (31 December 2017: US$2,586,000, 1 January 2017: US$1,736,000) respectively.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of vessels

Vessels are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of vessels to be 20 or 25 years. The carrying amount of the Group's vessels at 31 December 2018 was US$235,482,000 (31 December 2017: US$313,052,000, 1 January 2017: US$527,874,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised.

A 5% increase/(decrease) in the expected useful lives of these assets from management estimates would result in a decrease/(increase) of approximately US$695,000 (2017: US$1,103,000) and US$793,000 (2017: US$1,370,000) respectively in the Group's loss before tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Key sources of estimation uncertainty (Cont'd)

Impairment of property, plant and equipment

The Group assesses the impairment of its property, plant and equipment whenever events or changes in circumstances indicate that the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use.

For the purposes of impairment assessment of property, plant and equipment, the fair value less costs to dispose is determined mainly based on valuation reports issued by independent professional valuers. The impairment charge for the financial year was US$39,133,000 (2017: US$178,070,000). If the fair value less costs to dispose decreases by 10% from the fair value based on valuation reports, the impairment charges will increase by US$28,277,000 (2017: US$30,626,000).

Provision for expected credit losses of trade receivables, amounts due from related companies and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables, including trade amounts due from related companies. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group uses the probability of default approach for non-trade amounts and loans due from related companies, including other receivables. To estimate the loss allowance for credit losses, the Group perform recoverability assessments to derive the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, including cash flows from the sale of collateral that are integral to the contractual terms. The fair value of the collateral and forecast economic conditions in the recoverability assessment is a significant estimate where changes in which can result in different levels of allowances.

The information about the ECLs on the Group's trade receivables, amounts due from related companies and other receivables are disclosed in Note 36(a).

The carrying amount of trade receivables as at 31 December 2018 are US$17,683,000 (31 December 2017: US$18,607,000, 1 January 2017: US$10,359,000). The carrying values for amounts due from related companies and other receivables as at 31 December 2018 are disclosed in Note 14 and Note 18 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. REVENUE

Disaggregation of revenue

Segments	Offshore support services business US$'000	Subsea business US$'000	Shipyard business US$'000	Total US$'000
2018				
Type of services				
Lease revenue	**12,757**	**4,554**	**–**	**17,311**
Other ancillary time charter revenue	**31,436**	**5,504**	**–**	**36,940**
Ship repair income	**–**	**–**	**5,766**	**5,766**
Ship management fee income	**221**	**–**	**–**	**221**
Others	**–**	**–**	**429**	**429**
	44,414	**10,058**	**6,195**	**60,667**
Timing of transfer of services				
At a point in time	**–**	**–**	**6,195**	**6,195**
Over time	**44,414**	**10,058**	**–**	**54,472**
	44,414	**10,058**	**6,195**	**60,667**
2017				
Type of services				
Lease revenue	11,952	6,510	–	18,462
Other ancillary time charter revenue	29,952	12,282	–	42,234
Ship repair income	–	–	6,540	6,540
Ship management fee income	320	–	–	320
Others	–	–	119	119
	42,224	18,792	6,659	67,675
Timing of transfer of services				
At a point in time	–	–	6,659	6,659
Over time	42,224	18,792	–	61,016
	42,224	18,792	6,659	67,675

The Group accounts for the lease of vessels for bareboat charter and time charter under SFRS(I) 1-17 Leases as lease revenue. Time charter comprises lease of vessels and provision of other ancillary services. Other ancillary services include provision of crew and other services under the time charter contracts. The Group separates the lease and non-lease components of time charter by allocating the transaction price based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on market assessment approach where management estimates the market rate for the leases of vessels and services taking into consideration the Group's business pricing strategies and practices. Both lease and other ancillary time charter revenue are recognised over the same duration of the charter period.

Refer to Note 39 for revenue disclosure by operating business segments and geographical location.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5. OTHER OPERATING INCOME

	Group	
	2018 US$'000	2017 US$'000
Amortisation of unbilled revenue for hire purchase	–	591
Interest income from banks	152	71
Interest income from loans to joint ventures and associate	1,477	5,618
Interest income from third parties	67	661
Net fair value gain on derivatives	–	340
Net gain on liquidation of a subsidiary	–	437
Gain on receipt of non-refundable deposit	–	2,441
Share of earnings on vessel sale to related company	–	2,129
Gain on termination of shipbuilding contract, net (Note 10)	1,190	–
Gain on termination of vessel lease contract, net (Note 34(b))	1,248	–
Gain on debt forgiveness of bank loan (Note 26)	3,156	–
Management fee income	346	289
Net fair value gain on held for trading investment	–	3
Foreign exchange gain, net	–	256
Sundry income	612	256
	8,248	13,092

Included in interest income from third parties is interest of US$50,000 (2017: US$570,000) from an impaired loan to a third party. Refer to Note 18 for allowance for impairment for loan to third party.

6. FINANCE COSTS

	Group	
	2018 US$'000	2017 US$'000
Interest expense on:		
– Bank loans carried at amortised cost	19,179	15,621
– Obligations under finance lease	44	40
Interest expense on notes payable carried at amortised cost	2,419	3,530
Interest expense on borrowings from a shareholder of a subsidiary carried at amortised cost	539	422
	22,181	19,613
Discount rate adjustment for provisions (Note 23)	2	2
	22,183	19,615

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting) the following:

	Group	
	2018 US$'000	2017 US$'000
Audit fees:		
– Auditors of the Company	**146**	151
– Other auditors	**8**	3
Non audit fees:		
– Auditors of the Company	**102**	92
– Other auditors	**56**	75
Legal and professional fees	**1,266**	1,269
Inventories recognised as an expense in cost of sales (Note 16)	**2,993**	5,288
Employee benefits expense (Note 32)	**8,827**	9,468
Depreciation of property, plant and equipment (Note 10)	**18,415**	29,963
(Writeback)/impairment of doubtful trade receivables, net (Note 17)	**(62)**	974
Impairment of doubtful non-trade receivables, net (Note 18)	**1,501**	6,553
Impairment of amount due from related companies, net (Note 14)	**13,044**	65,908
Impairment of investment in a joint venture	**–**	5,865
Impairment of investment in an associate	**–**	14,778
Foreign exchange losses/(gain), net	**650**	(256)
Net fair value loss/(gain) on derivative	**14**	(340)
Net fair value loss/(gain) on held for trading investment securities	**33**	(3)
Operating lease expenses (Note 34(b))	**655**	5,282
Loss on dilution of a joint venture	**–**	2,392
Loss on sale of property, plant and equipment, net	**22**	1,871
(Gain)/loss on disposal of assets held for sale	**(4)**	180
Loss on disposal of club membership	**–**	125
Net loss on assets sold under hire purchase	**–**	2,427
Impairment of property, plant and equipment (Note 10)	**39,133**	178,070
Realisation of deferred gain on sale of vessels to joint ventures (included in share of results of joint ventures)	**–**	(641)
Realisation of deferred gain on sale of vessels to associate (included in share of results of associates)	**(165)**	(83)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8. TAXATION

The major components of income tax expense for the years ended 31 December 2018 and 2017 were:

	Group	
	2018 US$'000	**2017 US$'000 Restated**
Consolidated income statements:		
Current income tax		
– Current year's income taxation	**282**	217
– Overprovision in respect of prior years, net	**(259)**	(404)
	23	(187)
Deferred income tax (Note 29)		
– Origination of temporary differences	**334**	850
Withholding tax	**754**	2,085
Tax expense recognised in consolidated income statement	**1,111**	2,748

The reconciliation between the tax expense and the product of accounting loss before taxation multiplied by the applicable tax rate for the financial years ended 31 December 2018 and 2017 was as follows:

	Group	
	2018 US$'000	**2017 US$'000 Restated**
Loss before taxation	**(100,132)**	(340,524)
Less: Share of results of joint ventures	**(1,021)**	14,015
Less: Share of results of associates	**12,712**	4,945
Loss before tax and share of results of associates and joint ventures	**(88,441)**	(321,564)
Tax credit at Singapore statutory rate of 17% (2017: 17%)	**(15,035)**	(54,666)
Adjustments:		
Income not assessable for tax purposes	**(423)**	(1,212)
Expenses not deductible for tax purposes	**6,248**	18,851
Overprovision in respect of prior years, net	**(259)**	(404)
Effect of partial tax exemption and tax relief	**(121)**	(75)
Deferred tax assets not recognised	**109**	845
Net tax exempt loss under Section 13A or 13F of the Singapore Income Tax Act and rebate available	**9,838**	37,324
Withholding tax	**754**	2,085
Tax expense recognised in consolidated income statement	**1,111**	2,748

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net of tax profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2018 US$'000	**2017 US$'000 Restated**
Loss for the year attributable to equity holders of the Company	**(99,397)**	(332,586)
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for calculation:		
– Applicable to basic earnings per share	**713,602**	713,512
– On a fully diluted basis	**713,602**	713,512

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

2,049,000 (2017: 3,531,000) share awards granted to employees under the Performance Share Plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

Since the end of the financial year, the Company has not acquired (2017: Nil) ordinary shares in the Company through purchases on the Singapore Exchange. There has been no other transactions involving ordinary shares since the reporting date and before the completion of these financial statements.

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For the financial year ended 31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT

	Vessels US$'000	Drydocking expenditure US$'000	Vessels under construction US$'000	Plant and equipment US$'000	Ship-repair yard under construction US$'000	Property and buildings US$'000	Total US$'000
Group							
Cost:							
At 1 January 2017	650,064	11,950	21,817	10,392	197	57,210	751,630
Additions	1,567	185	13,247	154	286	9	15,448
Adjustment[1]	–	–	–	–	–	(759)	(759)
Disposals	(40,644)	(4,654)	(15,224)	(292)	–	–	(60,814)
Transfer	–	–	–	–	(494)	494	–
Reclass to assets held for sale	(1,453)	–	–	–	–	–	(1,453)
Translation differences	48	–	–	667	11	4,675	5,401
At 31 December 2017 and 1 January 2018	609,582	7,481	19,840	10,921	–	61,629	709,453
Additions	335	1,069	–	57	–	69	1,530
Adjustments[2][3]	1,325	–	(18,734)	–	–	–	(17,409)
Disposals	(18,425)	(1,091)	(1,106)	–	–	–	(20,622)
Reclass to assets held for sale	(88,155)	(230)	–	–	–	–	(88,385)
Translation differences	–	–	–	(173)	–	(1,249)	(1,422)
At 31 December 2018	504,662	7,229	–	10,805	–	60,449	583,145

[1] During the previous financial year, adjustment for prior year additions of US$759,000 was made due to lower actual cost incurred.

[2] The Group's wholly owned subsidiary, Pacific Crest Pte Ltd, entered into an agreement to terminate the shipbuilding contract for its vessel under construction. As a result of the termination, the instalments amounting to US$5,550,000 paid to the seller were forfeited and both the subsidiary and the seller had mutually released and discharged each other from all claims in relation to the shipbuilding contract. The Group has derecognised the asset under construction and accrued liabilities to the seller, resulting in a net gain on termination of shipbuilding contract of US$1,190,000 (Note 5).

[3] One of the Group's disposal of vessel through finance lease was terminated during the year and the Group has reclassified the carrying value of the vessel of US$1,325,000.

	Vessels US$'000	Drydocking expenditure US$'000	Vessels under construction US$'000	Plant and equipment US$'000	Ship-repair yard under construction US$'000	Property and buildings US$'000	Total US$'000
Group							
Accumulated depreciation and impairment loss:							
At 1 January 2017	122,190	6,651	1,678	4,528	–	2,811	137,858
Depreciation charge for the financial year	24,383	2,111	–	778	–	2,691	29,963
Impairment loss	172,251	–	5,819	–	–	–	178,070
Disposals	(21,204)	(3,610)	–	(147)	–	–	(24,961)
Reclass to assets held for sale	(1,107)	–	–	–	–	–	(1,107)
Translation differences	17	–	–	166	–	342	525
At 31 December 2017 and 1 January 2018	296,530	5,152	7,497	5,325	–	5,844	320,348
Depreciation charge for the financial year	14,056	985	–	596	–	2,778	18,415
Impairment loss	29,272	–	–	–	–	9,861	39,133
Disposals	(15,350)	(708)	(1,106)	–	–	–	(17,164)
Adjustment[2]	–	–	(6,391)	–	–	–	(6,391)
Reclass to assets held for sale	(55,328)	(103)	–	–	–	–	(55,431)
Translation differences	–	–	–	(55)	–	(59)	(114)
At 31 December 2018	269,180	5,326	–	5,866	–	18,424	298,796
Net carrying amounts:							
At 1 January 2017	527,874	5,299	20,139	5,864	197	54,399	613,772
At 31 December 2017	313,052	2,329	12,343	5,596	–	55,785	389,105
At 31 December 2018	235,482	1,903	–	4,939	–	42,025	284,349

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For the financial year ended 31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as security

At the balance sheet date, vessels and vessels under construction with a carrying amount totalling US$221,247,000 (31 December 2017: US$295,763,000, 1 January 2017: US$486,194,000) were mortgaged to banks as collateral to secure the Group's bank loans (Note 26).

At the balance sheet date, buildings, ship-repair yard and plant and equipment with a carrying amount of US$46,137,000 (31 December 2017: US$60,377,000, 1 January 2017: US$59,157,000) were mortgaged to banks as collateral to secure the Group's bank loans (Note 26).

In 2017, the Group breached certain terms of the bank loans and commenced discussion with bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure. The Group had an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group. Discussions with bank lenders and potential investors are still ongoing. The Group intends to pursue the restructuring by way of a Scheme (see Note 2.1). As disclosed in Note 40, the Court has granted the Company and other entities of the Group moratoria under section 211(B)(1) of the Companies Act. The moratoria have been extended to 18 April 2019 to allow more time for discussions with bank lenders. The Group intends to seek further extension of the moratoria at the next hearing. In the event that the moratoria are not extended, the banks are entitled to enforce their rights against the mortgaged assets.

Assets held under finance leases

In 2017, the Group acquired plant and equipment with an aggregate cost of US$136,000 by means of finance leases.

	Group	
	2018 US$'000	**2017 US$'000**
Aggregate cost of property, plant and equipment acquired	**1,530**	15,448
Less: Addition via finance lease	**–**	(136)
Less: Other liabilities (Note 22)	**–**	(12,950)
Cash payments made to acquire property, plant and equipment	**1,530**	2,362

At the balance sheet date, the carrying amount of plant and equipment held under finance leases was US$782,000 (31 December 2017: US$891,000, 1 January 2017: US$1,054,000).

Leased assets are pledged as security for the related finance lease liabilities.

Capitalisation of borrowing costs

The Group's vessels and ship-repair yard include borrowing costs arising from bank loans and notes payable borrowed specifically for the purpose of construction of vessels and the ship-repair yard.

During the financial year, no borrowing costs was capitalised as cost of vessels and ship-repair yard under construction (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment based on valuation reports issued by independent professional valuers. An impairment loss of US$39,133,000 (2017: US$178,070,000), representing the write-down of the property, plant and equipment to the recoverable amount was included in "Other operating expenses" in the Group's profit or loss for the year ended 31 December 2018. The recoverable amount of the property, plant and equipment was based on its fair value less costs to dispose.

Assets held for sale

Assets held for sale at the Group relates to transfer of certain vessels which will be disposed in 2019.

	Vessels US$'000	Drydocking expenditure US$'000	Total US$'000
At 1 January 2017	1,721	47	1,768
Disposals	(1,721)	(47)	(1,768)
Transfer from property, plant and equipment	346	–	346
At 31 December 2017 and 1 January 2018	346	–	346
Disposals	(346)	–	(346)
Transfer from property, plant and equipment	32,827	127	32,954
At 31 December 2018	32,827	127	32,954

At the balance sheet date, assets held for sale with a carrying amount totalling US$32,954,000 (2017: Nil) were mortgaged to banks as collateral to secure the Group's bank loans (Note 26).

11. INVESTMENT IN SUBSIDIARIES

	Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Unquoted equity shares, at cost	**51,447**	51,447	51,447
Performance share awards granted to employees of subsidiaries	**50**	45	9
Impairment losses	**(51,492)**	(11,675)	(2,623)
	5	39,817	48,833

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group

The Group has the following investment in subsidiaries.

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group 2018 %	31 December 2017 %	1 January 2017 %
Held by the Company					
Pacific Crest Pte Ltd[1]	Singapore	Ship chartering and ship owning	**100**	100	100
Strato Maritime Services Pte Ltd[1]	Singapore	Ship chartering and ship agency	**100**	100	100
Alstonia Offshore Pte Ltd[1]	Singapore	Ship agent and related business	**100**	100	100
Crest Subsea International Pte Ltd[1]	Singapore	Integrated subsea solutions	**100**	100	100
Crest Offshore Marine Pte Ltd[1]	Singapore	Investment holding	**100**	100	100
Crest Shipyard Pte Ltd[1]	Singapore	Investment holding	**100**	100	100
Held through Pacific Crest Pte Ltd					
Prime Offshore International Pte Ltd[5]	Singapore	Dormant	**–**	–	60
Held through Alstonia Offshore Pte Ltd					
Radiance Offshore B.V[4]	Netherland	Ship chartering	**100**	100	100
Radiance Offshore Navegacao (Alagoas) Ltda[2]	Brazil	Ship chartering, ship owning and ship management	**100**	100	100
Radiance Catico Offshore Pte Ltd[6]	Singapore	Dormant	**–**	63	63
Pacific Offshore Pte Ltd[1]	Singapore	Ship owning, ship chartering and ship management	**100**	100	100
Envestra Investments Limited[4]	British Virgin Islands	Investment holding	**100**	100	100
Pacific Radiance (East Africa) Lda[4]	Africa	Marketing office	**100**	100	100
Pacific Crest (Brunei) Sdn Bhd[2]	Brunei	Marketing office	**90**	90	90
Radiance Offshore Holdings Pte Ltd[1]	Singapore	Investment holding	**100**	100	100
Continental Radiance Offshore Pvt Ltd[3]	India	Ship chartering and ship owning	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (Cont'd)

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group		
			2018 %	31 December 2017 %	1 January 2017 %
Held through Crest Offshore Marine Pte Ltd					
Firstmac Investments Limited[4]	British Virgin Islands	Investment holding	**100**	100	100
Radiance ZJ Pte Ltd[1]	Singapore	Ship chartering and ship owning	**63**	63	63
Pacific Offshore Marine Pte Ltd[1]	Singapore	Ship chartering and ship owning	**100**	100	100
Consolidated Pipe Carriers Pte Ltd[1]	Singapore	Integrated logistics solutions services provider	**100**	100	100
Crest Siam Pte Ltd[1]	Singapore	Investment holding	**100**	100	100
Held through Firstmac Investments Limited					
Hudson Marine Pte Ltd[1]	Singapore	Investment holding	**100**	100	100
Held through Pacific Offshore Marine Pte Ltd					
CPC PNG Limited[6]	Papua New Guinea	Cargo handling and other supporting transport activities	**–**	100	100
Held through Crest Shipyard Pte Ltd					
CrestSA Marine & Offshore Pte Ltd[1]	Singapore	Repair of offshore vessels and other ocean-going vessels	**100**	100	100
Held through Crest Subsea International Pte Ltd					
CSI Offshore Pte Ltd[1]	Singapore	Ship chartering, ship owning and ship management services	**100**	100	100
Offshore Subsea Services (Asia Pacific) Pte Ltd[1]	Singapore	Offshore subsea intervention for oil and gas industry	**80**	80	80
PT Cahaya Offshore Indonesia[3][7]	Indonesia	Dormant	**49**	49	49
Held through Offshore Subsea Services (Asia Pacific) Pte Ltd					
PT Subsea Offshore[3]	Indonesia	Offshore subsea intervention for oil and gas industry	**95**	95	95
Held through PT Subsea Offshore					
PT Marine Engineering Services[3]	Indonesia	Offshore subsea intervention for oil and gas industry	**95**	95	95

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of EY Global in the respective countries.

(3) Not significant to Group and not required to be disclosed under SGX Listing Rule 717.

(4) Not required to be audited under the laws of the country of incorporation.

(5) Dissolved in 2017.

(6) Dissolved in 2018.

(7) On 14 July 2015, the Group's subsidiary company, Crest Subsea International Pte Ltd ("CSI") incorporated a company, PT Cahaya Offshore Indonesia ("PT Cahaya"), in Indonesia, and subscribed for 4,900 Series A shares, representing the entire voting shares and 49% of the total issued shares of PT Cahaya. Since the Group has control over PT Cahaya through its entire voting shares, PT Cahaya is accounted for as a subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (Cont'd)

According to Law No. 40 Year 2007 on Limited Liability Companies in Indonesia, Indonesian companies are required to allocate a certain amount from its net profit in each financial year as a reserve fund. The reserve fund should be provided until it reaches at least 20% of the issued and paid-up capital of the company. Dividend distribution by the company is based on its net profit after deducting the allocation for the reserve fund.

As the Group's Indonesian subsidiaries were not in retained profit positions as at 31 December 2018 and 31 December 2017, no reserve fund was allocated.

Other than the above, there are no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries.

Transactions with non-controlling interests have been disclosed in Note 33(a).

(b) Interest in subsidiaries with material non-controlling interest

As at 31 December 2018, the Group has no subsidiaries (2017: Nil) that have non-controlling interest that are material to the Group.

12. INVESTMENT IN ASSOCIATES

The Group's carrying amount of investment in associates is summarised below:

	Group		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**
PT Jawa Tirtamarin	**–**	–	–
PT Logindo Samudramakmur Tbk	**14,778**	27,549	–
	14,778	27,549	–
Less: Allowance for impairment	**(14,778)**	(14,778)	–
	–	12,771	–
Fair value of investment in PT Logindo Samudramakmur Tbk for which there is a published price quotation	**4,530**	7,676	7,142

The associates of the Group as at 31 December were as follows:

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group		
			2018 %	**31 December 2017 %**	**1 January 2017 %**
Held through subsidiaries					
PT Jawa Tirtamarin ("PT Jawa")[(1)]	Indonesia	Ship owning, ship chartering and ship brokering	**49**	49	49
PT Logindo Samudramakmur Tbk ("PT Logindo")[(2)(3)]	Indonesia	Ship owning and ship chartering	**32.4**	32.4	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. INVESTMENT IN ASSOCIATES (CONT'D)

(1) Audited by KAP Johan Malonda Mustika & Rekan, registered public accountant, Indonesia. SGX Listing Rule 716 is complied with.

(2) Audited by a member firm of EY Global.

(3) In 2017, the Group increased its investment in PT Logindo via a subscription of rights shares pursuant to the issuance of PT Logindo rights issue. Based on the result of the allotment and issuance, the Group has effective equity interests of 32.4% in PT Logindo. Following the rights issue, PT Logindo became an associate of the Group.

The activities of the associates are strategic to the Group's activities.

The Group has not recognised losses relating to associates where its share of losses exceeded the Group's interest in the associates. The Group's cumulative share of unrecognised losses at the end of the current financial year was US$24,822,000 (31 December 2017: US$21,974,000, 1 January 2017: US$5,494,000) of which US$2,848,000 (2017: US$16,480,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

The summarised financial information in respect of PT Jawa and PT Logindo based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	PT Jawa			PT Logindo		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**	**2018 US$'000**	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Current assets	**6,194**	2,750	3,950	**16,371**	15,096	20,024
Non-current assets	**49,255**	53,134	85,763	**140,296**	187,783	202,180
Total assets	**55,449**	55,884	89,713	**156,667**	202,879	222,204
Current liabilities	**(19,425)**	(20,055)	(16,863)	**(69,266)**	(17,041)	(14,423)
Non-current liabilities	**(65,118)**	(62,777)	(66,165)	**(37,990)**	(90,956)	(100,768)
Total liabilities	**(84,543)**	(82,832)	(83,028)	**(107,256)**	(107,997)	(115,191)
Net (liabilities)/assets	**(29,094)**	(26,948)	6,685	**49,411**	94,882	107,013
Proportion of the Group's ownership	**49%**	49%	49%	**32.4%**	32.4%	35%
Group's share of net (liabilities)/ assets	**(14,256)**	(13,204)	3,276	**16,009**	30,742	37,455
Deferred group's share of net losses	**23,026**	21,974	5,494	**1,796**	–	–
Elimination of gain on sale of vessels	**(5,626)**	(5,626)	(5,626)	**(3,104)**	(3,270)	(3,435)
Effects of change in functional currency	**(3,144)**	(3,144)	(3,144)	**–**	–	–
Allowance for impairment	**–**	–	–	**(14,778)**	(14,778)	–
Other adjustments	**–**	–	–	**77**	77	87
Carrying amount of the Group's investment in associates	**–**	–	–	**–**	12,771	34,107

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. INVESTMENT IN ASSOCIATES (CONT'D)

Summarised statement of comprehensive income

	PT Jawa		PT Logindo	
	2018 US$'000	**2017 US$'000**	**2018 US$'000**	**2017 US$'000**
Revenue	**6,931**	5,608	**26,893**	27,013
Loss after tax	**(2,188)**	(33,633)	**(45,381)**	(20,179)
Other comprehensive income	**–**	6	**(78)**	981
Total comprehensive income	**(2,188)**	(33,627)	**(45,459)**	(19,198)

The associates are required by the Indonesia Law No. 40 Year 2007 to allocate a certain amount of its net profit in each financial year as a reserve fund. Please refer to Note 11(a) for further details. The reserve fund for PT Logindo as at 31 December 2018 was US$210,000 (31 December 2017: US$210,000, 1 January 2017: US$210,000).

No dividend (2017: Nil) was received from the associates during the financial year ended 31 December 2018.

Consent is required by both shareholders for any dividend distribution proposed by PT Jawa.

13. INVESTMENT IN JOINT VENTURES

The Group's carrying amount of investment in joint ventures is summarised below:

	Group		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**
PT Logindo Samudramakmur Tbk	**–**	–	34,107
Alam Radiance (L) Inc	**5,865**	5,865	8,019
Duta Maritime Ventures Sdn. Bhd.	**–**	–	3,401
Aztec Offshore Holdings Pte Ltd	**–**	–	2,063
Dot Radiance Pte Ltd	**–**	–	4,347
CA Offshore Investment Inc	**3,568**	3,701	3,813
Duta Pacific Offshore Sdn Bhd	**2,835**	1,716	3,071
Other joint ventures	**35**	–	1,525
	12,303	11,282	60,346
Less: Allowance for impairment	**(5,865)**	(5,865)	–
	6,438	5,417	60,346

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. INVESTMENT IN JOINT VENTURES (CONT'D)

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group 2018 %	31 December 2017 %	1 January 2017 %
Held through subsidiaries					
Alam Radiance (M) Sdn Bhd[3]	Malaysia	Ship management and ship chartering	**50**	50	50
Alam Radiance (L) Inc[3][6]	Malaysia	Ship owning and ship chartering	**49**	49	49
PT Logindo Samudramakmur Tbk[2][8]	Indonesia	Ship owning and ship chartering	**–**	–	35
CA Offshore Investment Inc[5]	British Virgin Islands	Ship owning and ship chartering	**50**	50	50
Duta Pacific Offshore Sdn Bhd[2][6]	Malaysia	Ship owning and ship chartering	**49**	49	49
Duta Radiance Maritim Sdn Bhd[3][6]	Malaysia	Dormant	**49**	49	49
Duta Maritime Alliances Sdn Bhd[2][6]	Malaysia	Ship owning and ship chartering	**49**	49	49
Duta Maritime Ventures Sdn Bhd[2][6]	Malaysia	Ship owning and ship chartering	**49**	49	49
SDM Marine Pte Ltd[7]	Singapore	Ship owning and ship chartering	**50**	50	50
Aztec Offshore Holdings Pte Ltd[1]	Singapore	Ship owning and ship chartering	**19**	19	19
CR Offshore S.A.P.I de C.V.[5][6]	Mexico	Ship management and ship chartering	**49**	49	49
CEIBA Maritima, SAPI de CV, SOFOM ENR[5]	Mexico	Ship chartering and leasing	**50**	50	50
Dot Radiance Pte Ltd[1]	Singapore	Ship owning and ship chartering	**50**	50	50
Allianz Radiance Pte Ltd[1]	Singapore	Ship owning and ship chartering	**50**	50	–
Navigatis Radiance Pte Ltd[1]	Singapore	Investment holding	**50**	50	50
Pacific Allianz Holdings Pte Ltd[1][4]	Singapore	Investment holding	**52**	–	–
Held through joint venture					
Aztec Offshore Holdings Pte Ltd[1]	Singapore	Ship owning and ship chartering	**31.1**	31.1	31.1
Radiance Alliance Pte Ltd[1]	Singapore	Ship owning and ship chartering	**50**	50	50
AR Offshore Pte Ltd[1][4]	Singapore	Ship owning and ship chartering	**52**	–	–

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of EY Global in the respective countries.

(3) Not significant to Group and not required to be disclosed under SGX Listing Rule 717.

(4) Incorporated during the financial year.

(5) Not required to be audited under the laws of the country of incorporation.

(6) Remains as a joint venture company of the Group as the entity remains jointly controlled as governed by the contractual arrangement between the shareholders where decisions about the relevant activities require the unanimous consent of the shareholders.

(7) In the process of members' voluntary liquidation.

(8) In 2017, the Group increased its investment in PT Logindo Samudramakmur Tbk ("PT Logindo") via a subscription of rights shares pursuant to the issuance of PT Logindo rights issue. Based on the result of the allotment and issuance, the Group has effective equity interests of 32.4% in PT Logindo. Following the rights issue, PT Logindo became an associate of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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13. INVESTMENT IN JOINT VENTURES (CONT'D)

The Group has not recognised losses relating to joint ventures where its share of losses exceeds the Group's interest in the joint ventures. The Group's cumulative share of unrecognised losses at the end of the current financial year was US$60,171,000 (31 December 2017: US$44,754,000, 1 January 2017: US$11,289,000), of which US$15,417,000 (2017: US$33,465,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

	Cumulative share of unrecognised losses at end of			Share of loss for the year ended	
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	2018 US$'000	2017 US$'000
Navigatis Radiance Pte Ltd	**(25,123)**	(14,460)	–	**(10,663)**	(14,460)
CR Offshore S.A.P.I. de CV	**(13,637)**	(9,838)	(7,441)	**(3,799)**	(2,397)
DOT Radiance Pte Ltd	**(6,006)**	(5,979)	–	**(27)**	(5,979)
Duta Maritime Ventures Sdn Bhd	**(4,667)**	(3,748)	–	**(919)**	(3,748)
Duta Maritime Alliances Sdn Bhd	**(3,475)**	(2,633)	(230)	**(842)**	(2,403)
SDM Marine Pte Ltd	**–**	(3,068)	(2,228)	**3,068**	(839)
Allianz Radiance Pte Ltd	**(1,724)**	(800)	–	**(924)**	(800)
Other joint ventures	**(5,539)**	(4,228)	(1,389)	**(1,311)**	(2,839)
	(60,171)	(44,754)	(11,288)	**(15,417)**	(33,465)

Aggregate information about the Group's investments in joint ventures that are not individually material are as follows:

	Group	
	2018 US$'000	2017 US$'000
The Group's share of the joint ventures'		
Profit/(loss) after tax	**36**	(1,151)
Other comprehensive income	**–**	–
Total comprehensive income	**36**	(1,151)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised financial information about material joint ventures

The joint ventures which are material to the Group based on their respective carrying values are Duta Pacific Offshore Sdn Bhd ("DPO") and CA Offshore Investment Inc ("CA Offshore") for 2018, and Alam Radiance (L) Inc ("AR (L)"), DPO, CA Offshore, Duta Maritime Ventures Sdn. Bhd. ('DMV") and Dot Radiance Pte Ltd ("DOTR") for 2017. The joint ventures are incorporated in Malaysia and British Virgin Islands respectively and are strategic ventures in the business of vessel owning and chartering. Summarised financial information in respect of AR (L), DPO, CA Offshore, DMV & DOTR based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

(a) Summarised balance sheets

	AR (L)			DPO			CA Offshore		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**	**2018 US$'000**	**31 December 2017 US$'000**	**1 January 2017 US$'000**	**2018 US$'000**	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Cash and bank balances	**–**	2,210	1,822	**1,147**	1,780	678	**1,586**	1,935	2,383
Trade receivables	**3,515**	–	–	**–**	9	–	**–**	–	–
Other current assets	**3,571**	3,413	2,050	**1,291**	1,438	1,460	**5,555**	5,551	5,576
Current assets	**7,086**	5,623	3,872	**2,438**	3,227	2,138	**7,141**	7,486	7,959
Non-current assets	**33,146**	35,873	35,796	**5,659**	5,940	11,050	**–**	–	–
Total assets	**40,232**	41,496	39,668	**8,097**	9,167	13,188	**7,141**	7,486	7,959
Current financial liabilities (excluding trade, other payables and provisions)	**19,192**	24,095	11,630	**2,246**	4,180	3,708	**–**	–	–
Other current liabilities	**8,470**	1,596	1,246	**66**	189	178	**5**	85	333
Non-current financial liabilities (excluding trade, other payables and provisions)	**–**	–	8,295	**–**	1,295	3,035	**–**	–	–
Total liabilities	**27,662**	25,691	21,171	**2,312**	5,664	6,921	**5**	85	333
Net assets	**12,570**	15,805	18,497	**5,785**	3,503	6,267	**7,136**	7,401	7,626
Proportion of the Group's ownership	**49%**	49%	49%	**49%**	49%	49%	**50%**	50%	50%
Group's share of net assets/(liability)	**6,159**	7,744	9,064	**2,835**	1,716	3,071	**3,568**	3,701	3,813
Deferred group's share of net losses	**1,492**	–	–	**–**	–	–	**–**	–	–
Elimination of gain on sale of vessels	**(4,464)**	(4,464)	(4,464)	**–**	–	–	**–**	–	–
Other adjustments	**2,678***	2,585*	3,419*	**–**	–	–	**–**	–	–
Carrying amount of the investment	**5,865**	5,865	8,019	**2,835**	1,716	3,071	**3,568**	3,701	3,813
Allowance for impairment	**(5,865)**	(5,865)	–	**–**	–	–	**–**	–	–
	–	–	8,019	**2,835**	1,716	3,071	**3,568**	3,701	3,813

* Other adjustments for AR (L) relate to cumulative exchange differences and adjustments for application of consistent accounting policies as the Group.

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13. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised financial information about material joint ventures (Cont'd)

(a) Summarised balance sheets (Cont'd)

	DMV			DOTR		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Cash and bank balances	**980**	969	3,224	**47**	50	98
Trade receivables	**–**	–	–	**–**	–	–
Other current assets	**417**	118	1,025	**–**	–	609
Current assets	**1,397**	1,087	4,249	**47**	50	707
Non-current assets	**17,034**	17,820	34,080	**–**	–	19,287
Total assets	**18,431**	18,907	38,329	**47**	50	19,994
Current financial liabilities (excluding trade, other payables and provisions)	**25,098**	24,312	29,424	**12,050**	12,004	11,246
Other current liabilities	**1,095**	481	154	**8**	4	54
Non-current financial liabilities (excluding trade, other payables and provisions)	**–**	–	–	**–**	–	–
Total liabilities	**26,193**	24,793	29,578	**12,058**	12,008	11,300
Net (liabilities)/assets	**(7,762)**	(5,886)	8,751	**(12,011)**	(11,958)	8,694
Proportion of the Group's ownership	**49%**	49%	49%	**50%**	50%	50%
Group's share of net (liabilities)/assets	**(3,803)**	(2,884)	4,288	**(6,006)**	(5,979)	4,347
Deferred group's share of net losses	**4,667**	3,748	–	**6,006**	5,979	–
Elimination of gain on sale of vessels	**(864)**	(864)	(864)	**–**	–	–
Other adjustments	**–**	–	(23)	**–**	–	–
Carrying amount of the investment	**–**	–	3,401	**–**	–	4,347
Allowance for impairment	**–**	–	–	**–**	–	–
	–	–	3,401	**–**	–	4,347

(b) Summarised statement of comprehensive income

	AR (L)		DPO		CA Offshore	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Revenue	**1,382**	3,870	**4,928**	5,265	**–**	–
Depreciation and amortisation	**(2,161)**	(2,047)	**(281)**	(498)	**–**	–
Operating expenses	**(1,966)**	(5,181)	**(2,047)**	(6,913)	**(264)**	(225)
Finance income	**–**	–	**1**	1	**–**	–
Finance costs	**(294)**	(1,034)	**(105)**	(193)	**(1)**	(1)
(Loss)/profit before tax	**(3,039)**	(4,392)	**2,496**	(2,338)	**(265)**	(226)
Income tax expense	**(5)**	(5)	**(214)**	(426)	**–**	–
(Loss)/profit after tax	**(3,044)**	(4,397)	**2,282**	(2,764)	**(265)**	(226)
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**(3,044)**	(4,397)	**2,282**	(2,764)	**(265)**	(226)

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13. INVESTMENT IN JOINT VENTURES (CONT'D)

(b) Summarised statement of comprehensive income (Cont'd)

There are no significant restrictions on the ability of joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans and advances.

	DMV		DOTR	
	2018 US$'000	**2017 US$'000**	**2018 US$'000**	**2017 US$'000**
Revenue	**494**	4,854	**–**	–
Depreciation and amortisation	**(786)**	(1,440)	**–**	–
Operating expenses	**(730)**	(16,835)	**(53)**	(20,476)
Finance income	**10**	8	**–**	–
Finance costs	**(838)**	(1,154)	**–**	(176)
(Loss)/profit before tax	**(1,850)**	(14,567)	**(53)**	(20,652)
Income tax expense	**(25)**	(70)	**–**	–
(Loss)/profit after tax	**(1,875)**	(14,637)	**(53)**	(20,652)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(1,875)**	(14,637)	**(53)**	(20,652)

There are no significant restrictions on the ability of joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans and advances.

14. AMOUNTS DUE FROM RELATED COMPANIES

	Group			Company		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**	**2018 US$'000**	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Amounts due from associates	**79,722**	78,289	73,650	**–**	–	–
Amounts due from joint ventures	**90,316**	92,479	81,471	**–**	–	–
Amounts due from subsidiaries	**–**	–	–	**405,703**	390,405	375,575
	170,038	170,768	155,121	**405,703**	390,405	375,575
Less: Allowance for impairment	**(78,189)**	(70,036)	(3,801)	**(264,255)**	(220,225)	(1,948)
	91,849	100,732	151,320	**141,448**	170,180	373,627
Less: Current portion	**(39,677)**	(60,676)	(89,177)	**(141,448)**	(170,180)	(373,627)
Non-current portion	**52,172**	40,056	62,143	**–**	–	–
Movement in allowance accounts:						
At 1 January	**70,082**	3,801	454	**220,225**	1,948	1,772
Charge for the year (Note 7)	**13,044**	65,908	3,440	**45,682**	218,227	191
ECL adjustment to interest income	**568**	–	–	**–**	–	–
Writeoff during the year	**(3,057)**	–	–	**–**	–	–
Exchange difference	**(2,448)**	327	(93)	**(1,652)**	50	(15)
At 31 December	**78,189**	70,036	3,801	**264,255**	220,225	1,948
Amounts due from related companies comprised:						
Trade	**3,755**	5,186	13,226	**–**	–	–
Non-trade	**75,840**	82,915	97,910	**14,357**	13,086	10,369
Loans	**12,254**	12,631	40,184	**127,091**	157,094	363,258
	91,849	100,732	151,320	**141,448**	170,180	373,627

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14. AMOUNTS DUE FROM RELATED COMPANIES (CONT'D)

Amounts due from associates and joint ventures are unsecured, non-interest bearing, and are to be settled in cash, except for loans to joint ventures and associates of US$26,255,000 (31 December 2017: US$38,954,000, 1 January 2017: US$40,324,000) which bear weighted average interest rate at 5.0% (31 December 2017: 5.2%, 1 January 2017: 5.1%) per annum, and non-trade amount due from joint ventures and associates for sale of vessels of US$61,175,000 (31 December 2017: US$77,891,000, 1 January 2017: US$78,278,000) which bear weighted average interest rate at 7.0% (31 December 2017: 6.5%, 1 January 2017: 6.6%) per annum and secured by a right to call for ownership and title to the vessels to be re-vested to the Group.

Amounts due from associates and joint ventures are repayable upon demand except for non-trade amounts of US$43,798,000 (31 December 2017: US$63,916,000, 1 January 2017: US$62,143,000) which are repayable in 4 years (31 December 2017: 2 to 5 years, 1 January 2017: 2 to 6 years). Amounts due from associates and joint ventures are classified as current assets if the Group expects to recover the amounts within one year.

Amounts due from related companies include non-trade amounts of US$3,552,000 (31 December 2017: US$6,840,000, 1 January 2017: US$Nil) pertaining to lease receivables for vessels chartered to related company under finance lease.

Amounts due from subsidiaries are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Amounts due from associates and joint ventures that were individually impaired at the end of the reporting period relate to debtors that are in financial difficulties and billings in dispute.

Amounts due from related companies denominated in foreign currency at 31 December were as follows:

	Group			Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Singapore Dollar	**2,227**	1,339	5,238	**14,350**	110,195	93,324

15. DERIVATIVES

	Group								
	2018			31 December 2017			1 January 2017		
	Contract notional amount US$'000	Assets US$'000	Liabilities US$'000	Contract notional amount US$'000	Assets US$'000	Liabilities US$'000	Contract notional amount US$'000	Assets US$'000	Liabilities US$'000
Interest rate swaps	**20,830**	**135**	**–**	54,010	153	(3)	57,190	12	(203)
Cross currency swaps	**–**	**–**	**–**	80,178	–	(5,504)	80,178	–	(11,802)
		135	**–**		153	(5,507)		12	(12,005)
Less: Current portion		**(17)**	**–**		(39)	5,504		–	–
Non-current portion		**118**	**–**		114	(3)		12	(12,005)
	Company								
Cross currency swaps									
Current	**–**	**–**	**–**	80,178	–	(5,504)	–	–	–
Non-current	**–**	**–**	**–**	–	–	–	80,178	–	(11,802)

The interest rate swaps receive floating interest rates equal to 1 month LIBOR, pay an average fixed rate of interest of approximately 1.66% (2017: 1.41%) per annum and mature between February 2019 and March 2020 (2017: March 2018 and March 2020).

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15. DERIVATIVES (CONT'D)

As at 31 December 2017, the Group and the Company held cross currency swaps that were designated as hedge of the Group and the Company's foreign currency exposure in respect of the notes payable with notional value of US$80,178,000. The cross currency swaps hedge the SGD exposure in respect of the notes payable and interest payable due between August 2014 and August 2018. The terms of the contracts have been negotiated to match the terms for the notes payable.

During the financial year, the cross currency swaps were terminated upon maturity of the notes payable in August 2018. Amount payable to the banks of US$7,552,000 upon termination were recorded in 'Other liabilities' (Note 22).

16. INVENTORIES

	Group		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Balance sheet:			
Work-in-progress (at cost)	**93**	–	–
Finished goods (at cost or net realisable value)	**309**	362	873
	402	362	873
Consolidated income statement:			
The following is included in consolidated income statement:			
Inventories recognised as an expense in cost of sales (Note 7)	**2,993**	5,288	6,167

17. TRADE RECEIVABLES

Trade receivables are unsecured, interest bearing and are generally due immediately or on 60-day term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December were as follows:

	Group		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Singapore Dollar	**3,111**	3,059	393
Malaysian Ringgit	**–**	171	–
Brazilian Real	**50**	115	426
Indonesian Rupiah	**251**	242	494

Included in trade receivables was an amount of US$914,000 (31 December 2017: US$875,000, 1 January 2017: US$453,000) relating to unbilled trade receivables. Unbilled trade receivables relate to the Group's right to consideration for charter hire earned but not yet billed at the reporting date.

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For the financial year ended 31 December 2018

17. TRADE RECEIVABLES (CONT'D)

Significant changes in unbilled trade receivables are explained as follows:

	2018 US$'000	2017 US$'000
Unbilled trade receivables reclassified to trade receivables	**875**	453
Charter revenue earned but not yet billed	**914**	875

Receivables that were past due but not impaired

The Group had trade receivables amounting to US$10,992,000 as at 31 December 2017 and US$7,159,000 as at 1 January 2017, that were past due at the balance sheet date but not impaired. These receivables were unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	31 December 2017 US$'000	1 January 2017 US$'000
Trade receivables past due but not impaired:		
Less than 30 days	4,580	1,781
30 to 60 days	2,501	1,369
61 to 90 days	836	1,304
91 to 120 days	463	711
More than 120 days	2,612	1,994
	10,992	7,159

Receivables that were impaired

The Group's trade receivables that were individually impaired at the balance sheet date and the movement of the allowance for impairment are as follows:

	Group	
	31 December 2017 US$'000	1 January 2017 US$'000
Trade receivables – nominal amounts	13,544	12,541
Less: Allowance for impairment	(13,544)	(12,541)
	–	–
Movement in allowance accounts:		
At 1 January	12,541	2,185
Arising from disposal of subsidiaries	–	(81)
Charge for the year (Note 7)	992	10,577
Write back of allowance (Note 7)	(18)	(169)
Exchange	29	29
At 31 December	13,544	12,541

Trade receivables that were individually impaired at the end of the reporting year relate to debtors that were in significant financial difficulties and defaulted on payments. These receivables were not secured by any collateral or credit enhancements.

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17. TRADE RECEIVABLES (CONT'D)

Receivables that were impaired (Cont'd)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	Group
	2018 **US$'000**
Movement in allowance accounts:	
At 1 January	**13,597**
Charge for the year (Note 7)	**151**
Write back of allowance (Note 7)	**(213)**
Written off during the year	**(1,526)**
Exchange differences	**1**
At 31 December	**12,010**

18. OTHER RECEIVABLES

	Group			Company		
	2018 **US$'000**	**31 December 2017** **US$'000**	**1 January 2017** **US$'000**	**2018** **US$'000**	**31 December 2017** **US$'000**	**1 January 2017** **US$'000**
Deposits	**410**	275	516	**–**	–	–
Prepayments	**1,771**	2,465	2,672	**24**	30	11
GST/VAT receivable	**163**	740	743	**13**	2	24
Recoverables from customers	**1,109**	432	1,186	**–**	–	–
Recoverables from shipyard	**–**	45	74	**–**	–	–
Advances to staff	**53**	60	75	**–**	–	–
Advance payment to suppliers	**5**	22	84	**–**	–	–
Accrued interest	**13**	3	8	**–**	–	–
Loans to third parties	**18,016**	18,001	17,452	**–**	–	–
Tax recoverable	**84**	94	205	**–**	–	–
Other receivables	**2,810**	3,753	4,148	**–**	–	–
	24,434	25,890	27,163	**37**	32	35
Less: Allowance for impairment	**(20,418)**	(18,875)	(12,279)	**–**	–	–
	4,016	7,015	14,884	**37**	32	35
Movement in allowance accounts:						
At 1 January	**18,875**	12,279	2,650	**–**	–	–
Charge for the year (Note 7)	**1,501**	6,553	9,699	**–**	–	–
ECL adjustment to interest income	**51**	–	–	**–**	–	–
Written off during the year	**–**	–	(62)	**–**	–	–
Exchange	**(9)**	43	(8)	**–**	–	–
At 31 December	**20,418**	18,875	12,279	**–**	–	–

These amounts are unsecured and non-interest bearing except for loans to third parties which bear a weighted average interest rate at 6.2% (31 December 2017: 6.2%, 1 January 2017: 6.1%) per annum, repayable upon demand and to be settled in cash.

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18. OTHER RECEIVABLES (CONT'D)

Loans to third parties included an amount of US$863,000 (31 December 2017: US$814,000, 1 January 2017: US$764,000) secured by investment securities owned by the borrower, and an amount of US$7,505,000 (31 December 2017: US$7,542,000, 1 January 2017: US$7,082,000) secured by shares of the borrower.

Other receivables that were impaired

Other receivables that were individually impaired at the end of the reporting period mainly relate to long outstanding loans to third parties.

At the balance sheet date, the Group has provided a cumulative allowance of US$17,839,000 (31 December 2017: US$16,387,000, 1 January 2017: US$10,362,000) for impairment of loan to third parties with a nominal amount of US$18,016,000 (31 December 2017: US$17,187,000, 1 January 2017: US$16,688,000).

Other receivables denominated in foreign currencies at 31 December were as follows:

	Group			Company		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**	**2018 US$'000**	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Singapore Dollar	**1,587**	1,550	1,639	**37**	32	35
Euro	**57**	12	695	**–**	–	–
Japanese Yen	**91**	113	107	**–**	–	–

19. INVESTMENT SECURITIES

	Group		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Current:			
Held for trading investments at FVPL			
– Equity securities (quoted)	39	77	69

20. CASH AND BANK BALANCES

	Group			Company		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**	**2018 US$'000**	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Cash at banks and on hand	**23,771**	31,766	46,391	**613**	3,295	4,126
Short-term bank deposits	**6,960**	7,611	4,237	**–**	–	–
	30,731	39,377	50,628	**613**	3,295	4,126
Less: Cash pledged	**(3,446)**	(6,858)	(8,337)	**–**	(3,217)	(2,974)
Cash and bank balances in the consolidated cash flow statement	**27,285**	32,519	42,291	**613**	78	1,152

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20. CASH AND BANK BALANCES (CONT'D)

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term bank deposits are placed for varying periods up to three months, depending on the cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2018 for the Group was 2.4% (31 December 2017: 1.4%, 1 January 2017: 1.1%) per annum respectively.

Certain operating bank accounts of the subsidiaries are pledged to financial institutions for banking facilities granted to the Group. The amount of cash and bank balances that were not available for use was US$3,446,000 (31 December 2017: US$6,858,000, 1 January 2017: US$8,337,000).

Cash and bank balances denominated in foreign currencies at 31 December were as follows:

	Group			Company		
	2018 US$'000	**31 December 2017 US$'000**	**1 January 2017 US$'000**	**2018 US$'000**	**31 December 2017 US$'000**	**1 January 2017 US$'000**
Singapore Dollar	**4,809**	8,201	5,534	**572**	3,273	3,103
Indian Rupee	**157**	3,630	1,130	**–**	–	–
Euro	**–**	1	18	**–**	–	–
Brazilian Real	**1**	85	136	**–**	–	–

21. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled immediately or on 60-day term.

Trade payables denominated in foreign currencies at 31 December were as follows:

	Group		
	2018 US$'000	**2017 US$'000**	**2016 US$'000**
Singapore Dollar	**7,728**	9,196	6,680
Indonesian Rupiah	**2**	1	2
Brazilian Real	**12**	36	22
Great Britain Pound	**1**	13	15
Malaysian Ringgit	**299**	74	68
Japanese Yen	**102**	81	227
Euro	**55**	355	301
Brunei Dollar	**610**	119	7
Saudi Riyal	**291**	183	–

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22. OTHER LIABILITIES

	Group			Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Current:						
Other payables	**9,808**	904	1,088	**7,785**	162	107
Deposits received	**957**	112	17,775	**–**	–	–
Amount due to shareholder of a subsidiary	**18,693**	18,080	17,659	**–**	–	–
Accrued operating expenses	**37,569**	36,549	16,156	**1,557**	3,099	2,083
Accrued tax expenses	**252**	412	40	**–**	–	–
Deferred gain on sale of vessels to joint ventures and associate	**1,082**	1,075	1,075	**–**	–	–
Advance billings to customers	**1,318**	350	–	**–**	–	–
Defined benefit plan obligation	**45**	49	48	**–**	–	–
	69,724	57,531	53,841	**9,342**	3,261	2,190
Non-current:						
Deferred gain on sale of vessels to joint ventures and associate	**11,717**	11,717	12,276	**–**	–	–
Total other liabilities	**81,441**	69,248	66,117	**9,342**	3,261	2,190

Other payables are non-interest bearing and are normally settled immediately or on 60-day term. Included in other payables is US$7,522,000 (31 December 2017: US$Nil, 1 January 2017: US$Nil) payable to banks on termination of cross-currency swaps (Note 15).

Included in other payables was an amount of US$1,418,000 (31 December 2017: US$Nil, 1 January 2017: US$Nil) relating to capital grant payable that was previously classified as deferred capital grant by the Group (Note 24).

Deposits received relate to deposits collected from buyers for sale of vessels.

Amount due to shareholder of a subsidiary is unsecured, repayable on demand and bears interest rate at 4.63% (31 December 2017: 3.66%, 1 January 2017: 3.14%) per annum and are to be settled in cash.

Deferred gain on sale of vessels to joint ventures and associate are amortised over the useful lives of the vessels.

Advance billings to customers relate to the Group's obligation to transfer services to customers for which the Group has received advances from customers for charter of vessels.

Significant changes in advance billings to customers are explained as follows:

	2018 US$'000	2017 US$'000
Revenue recognised that was included in the advance billings to customers balance at the beginning of the year	**350**	–
Advances received from customers but performance obligations not yet satisfied at the end of the year	**1,318**	350

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. OTHER LIABILITIES (CONT'D)

Included in other liabilities was an amount of US$Nil (31 December 2017: US$12,950,000, 1 January 2017: US$Nil) relating to acquisition of property, plant and equipment.

Other liabilities denominated in foreign currency at 31 December were as follows:

	Group			Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Singapore Dollar	**11,582**	6,453	10,792	**3,184**	3,261	2,190

23. PROVISIONS

	Group Reinstatement cost US$'000
At 1 January 2017	220
Accretion expenses (Note 6)	2
Exchange	19
At 1 January 2018	241
Accretion expenses (Note 6)	2
Exchange	(5)
At 31 December 2018	238

Provision relates to reinstatement cost of buildings and was made based on the estimated cost of reinstating the leased premises when the leases expire in the year 2037, taking into consideration current market assessment of the time value of money.

24. DEFERRED CAPITAL GRANT

Deferred capital grant relates to government grant received for the acquisition of an equipment undertaken by the Group's subsidiary in Singapore to promote green technology. The Group shall not sell, assign, transfer or dispose of any rights in relation to the equipment within 5 years from completion of installation of the equipment.

During the year, the grant was reclassified from non-current to current liability, included under 'Other liabilities' (Note 22) as the related vessel has been reclassified as held-for-sale.

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For the financial year ended 31 December 2018

25. AMOUNTS DUE TO RELATED COMPANIES

	Group			Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Amounts due to associate	**7,654**	7,136	3,946	**–**	–	–
Amounts due to joint ventures	**783**	271	31	**–**	–	–
Amounts due to subsidiaries	**–**	–	–	**204,620**	190,520	176,682
	8,437	7,407	3,977	**204,620**	190,520	176,682
Amounts due to related companies comprised:						
Trade	**2,006**	805	6	**–**	–	–
Non-trade	**6,431**	6,602	3,971	**10**	218	9
Loans	**–**	–	–	**204,610**	190,302	176,673
	8,437	7,407	3,977	**204,620**	190,520	176,682

Amounts due to related companies are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Amounts due to related companies denominated in foreign currency at 31 December were as follows:

	Group			Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Singapore Dollar	**–**	–	19	**112,159**	100,649	83,524

26. BANK LOANS

	Group		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Bank loans	**443,021**	451,921	446,045
Less: Current portion	**(443,021)**	(451,921)	(49,029)
Bank loans (Non-current portion)	**–**	–	397,016

Bank loans were secured by:

– First legal mortgages over the vessels of the Group, with net book values of US$221,247,000 (31 December 2017: US$295,763,000, 1 January 2017: US$486,194,000) (Note 10);

– First legal mortgages over assets held for sale of the Group, with net book values of US$32,954,000 (31 December 2017: US$Nil, 1 January 2017: US$Nil) (Note 10);

– Escrow mortgages over the buildings, ship-repair yard and plant and equipment of the Group, with net book values of US$46,137,000 (31 December 2017: US$60,377,000, 1 January 2017: US$59,157,000) (Note 10);

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. BANK LOANS (CONT'D)

- A right to take assignment of charter earnings of the mortgaged vessels and insurance policies of the mortgaged vessels, mortgaged buildings and mortgaged ship-repair yard; and
- Cash pledged of US$3,446,000 (31 December 2017: US$6,858,000, 1 January 2017: US$8,337,000).

In addition, an amount of US$443,021,000 (31 December 2017: US$451,921,000, 1 January 2017: US$446,045,000) of the Group's bank loans was secured by corporate guarantees from the Company.

Bank loans are repayable between 1 to 9 years (31 December 2017: 1 to 10 years, 1 January 2017: 1 to 8 years), payable monthly or quarterly and bear interest. The weighted average interest rate on the bank loans was 4.29% (31 December 2017: 3.72%, 1 January 2017: 3.12%) per annum. Included in bank loans was an amount of US$79,706,000 (31 December 2017: US$81,304,000, 1 January 2017: US$47,658,000) denominated in SGD.

Included in the bank loans were 5 (31 December 2017: 5, 1 January 2017: 6) revolving credit facilities amounting to a total of US$96,535,000 (31 December 2017: US$96,599,000, 1 January 2017: US$101,854,000), bearing interest at COF + 2.5%, LIBOR + 3.0%, LIBOR + 1.75%, LIBOR + 2.0% and LIBOR + 2.0% (31 December 2017: COF + 2.5%, LIBOR + 3.0%, LIBOR + 1.75%, LIBOR + 2.0% and LIBOR + 2.0%; 1 January 2017: LIBOR + 2.0%, COF + 2.5%, LIBOR + 3.0%, LIBOR + 1.75%, LIBOR + 2.0% and LIBOR + 2.0%) per annum respectively. These loans are secured by a charge over certain vessels of the Group and are repayable between December 2018 and September 2021 (31 December 2017: December 2018 and September 2021, 1 January 2017: February 2017 and September 2021).

In 2017, the Group breached certain terms of the bank loans and commenced discussion with bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure. The Group had an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group. Discussions with bank lenders and potential investors are still ongoing. The Group intends to pursue the restructuring by way of a Scheme (see Note 2.1).

During the financial year, the Group sold certain vessels that were mortgaged to a bank. The sale proceeds were used to settle part of the outstanding bank loan. The remaining bank loan was forgiven by the bank, resulting in a gain on debt forgiveness of US$3,156,000 (Note 5).

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes		
	31 December 2017 US$'000	**Cash flows US$'000**	**Foreign exchange US$'000**	**Other US$'000**	**31 December 2018 US$'000**
Bank loans					
– current	451,921	(4,147)	(1,597)	(3,156)	**443,021**
– non-current	–	–	–	–	**–**
Total	451,921	(4,147)	(1,597)	(3,156)	**443,021**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. BANK LOANS (CONT'D)

The 'Other' column relates to debt forgiveness of bank loan (Note 5).

	1 January 2017 US$'000	Cash flows US$'000	Non-cash changes: Foreign exchange US$'000	Non-cash changes: Other US$'000	31 December 2017 US$'000
Bank loans					
– current	49,029	(45,207)	690	447,409	**451,921**
– non-current	397,016	45,959	4,434	(447,409)	**–**
Total	446,045	752	5,124	–	**451,921**

The 'Other' column relates to reclassification of non-current portion of bank loans due to passage of time and breach of certain loan covenants.

27. NOTES PAYABLE

	Group and Company: 2018 US$'000	Group and Company: 31 December 2017 US$'000	Group and Company: 1 January 2017 US$'000
Current:			
SGD100 million	73,350	73,344	–
Non-current:			
SGD100 million	–	–	67,806

The notes payable bear fixed interest rate of 4.3% (31 December 2017: 4.3%, 1 January 2017: 4.3%) per annum payable semi-annually with fair value of US$8,619,000 (31 December 2017: US$10,942,000, 1 January 2017: US$31,944,000) based on quoted market prices.

The market value of the notes payable are based on quoted prices available in active market (fair value hierarchy Level 1). The above notes are listed on SGX-ST.

On 24 August 2018, the noteholders approved the terms of restructuring of the notes payable, including the extension of the maturity date of the notes payable from 29 August 2018 to 30 September 2019, subject to sanction of the Scheme by the Court and shareholders' approval.

28. FINANCE LEASE OBLIGATIONS

The Group has finance leases for motor vehicles and equipment. There are no restrictions placed upon the Group by entering into the leases. The weighted average effective interest rate implicit in the leases was 2.44% (31 December 2017: 2.41%, 1 January 2017: 2.45%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. FINANCE LEASE OBLIGATIONS (CONT'D)

Future minimum lease payments under finance leases and the present value of the net minimum lease payments were as follows:

	Group					
	2018		**31 December 2017**		**1 January 2017**	
	Minimum lease payments US$'000	**Present value of payments US$'000**	**Minimum lease payments US$'000**	**Present value of payments US$'000**	**Minimum lease payments US$'000**	**Present value of payments US$'000**
Not later than one year	**616**	**575**	370	337	234	206
Later than one year but not later than five years	**90**	**89**	374	363	592	560
Total minimum lease payments	**706**	**664**	744	700	826	766
Less: Amount representing finance charges	**(42)**	**–**	(44)	–	(60)	–
Present value of minimum lease payments	**664**	**664**	700	700	766	766

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes		
	31 December 2017 US$'000	**Cash flows US$'000**	**Foreign exchange US$'000**	**Other US$'000**	**31 December 2018 US$'000**
Finance lease obligations					
– current	337	(22)	(7)	267	**575**
– non-current	363	–	(7)	(267)	**89**
Total	700	(22)	(14)	–	**664**

			Non-cash changes		
	1 January 2017 US$'000	**Cash flows US$'000**	**Foreign exchange US$'000**	**Other US$'000**	**31 December 2017 US$'000**
Finance lease obligations					
– current	206	(270)	18	383	337
– non-current	560	136	50	(383)	363
Total	766	(134)	68	–	700

The 'Other' column relates to reclassification of non-current portion of finance lease obligations due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. DEFERRED TAX LIABILITIES

Deferred tax liabilities as at 31 December relates to the following:

	Group				
	Balance sheet			Consolidated income statement	
	2018 US$'000	31 December 2017 US$'000 Restated	1 January 2017 US$'000 Restated	2018 US$'000	2017 US$'000 Restated
Deferred tax liabilities:					
Unremitted foreign sourced income	**2,920**	2,586	1,736	**334**	850
	2,920	2,586	1,736	**334**	850
Deferred tax expense (Note 8)				**334**	850

	Group	
	2018 US$'000	2017 US$'000 Restated
Movement in deferred tax liabilities:		
At 1 January	**2,586**	1,736
Charge to profit or loss (Note 8)	**334**	850
At 31 December	**2,920**	2,586

Unrecognised tax losses

At the end of the financial year, the Group has tax losses of approximately US$19,988,000 (31 December 2017: US$14,391,000, 1 January 2017: US$10,322,000) that are available for offset against future taxable profits of the companies in which the losses arose. No deferred tax asset is recognised on these losses due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

Unrecognised temporary differences relating to investment in subsidiaries, joint ventures and associates

Temporary differences for which no deferred tax liability have been recognised aggregate to US$Nil (31 December 2017: US$5,295,000, 1 January US$15,542,000) as the Group determined that the undistributed earnings of its subsidiaries, joint ventures and associates will not be distributed in the foreseeable future. The joint ventures and associates of the Group cannot distribute its earnings until it obtains the consent of both the venturers and shareholders respectively. At the end of the financial year, the Group does not foresee giving such consent. The deferred tax liability is estimated to be US$Nil (31 December 2017: US$529,000, 1 January 2017: US$1,611,000).

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For the financial year ended 31 December 2018

30. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2018		2017	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares:				
Balance at the beginning and end of the year	**725,755**	**162,854**	725,755	162,854

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	2018		2017	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Balance at the beginning of the year	**(12,243)**	**(2,530)**	(12,243)	(2,530)
Reissued pursuant to employee share award plan				
– On vesting of employee share awards	**214**	**–**	–	–
– Transferred from employee share-based payments reserve	**–**	**15**	–	–
– Loss transferred to capital reserve	**–**	**30**	–	–
	–	**45**	–	–
Balance at end of the year	**(12,029)**	**(2,485)**	(12,243)	(2,530)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company did not acquire any treasury shares during the financial year.

The Company reissued 214,000 (2017: Nil) treasury shares pursuant to its employee share award plan at a total cost of US$45,000 (2017: Nil).

31. OTHER RESERVES

(a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations (including the Company) whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2018 US$'000	2017 US$'000 Restated
At 1 January	**(1,427)**	–
Net effect of exchange differences arising from translation of financial statements	**419**	(1,427)
At 31 December	**(1,008)**	(1,427)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. OTHER RESERVES (CONT'D)

(b) Employee share-based payments reserve

Employee share-based payments reserve represents the issuance of shares to employees and the performance share awards granted to employees (Note 32).

Share based payments reserve is made up of:

- the difference between the fair value and purchase price of shares issued to employees; and
- cumulative value of services received from employees recorded over the vesting period commencing from the grant dates of the performance share awards.

	Group and Company	
	2018 US$'000	**2017 US$'000**
At 1 January	**224**	182
Grant of equity-settled share performance awards to employees (Note 32)	**4**	42
Treasury shares reissued pursuant to employee share award plan	**(15)**	–
At 31 December	**213**	224

(c) Hedging reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date. US$401,000 (2017: US$612,000) were made up of the net movements in cash flow hedges and the effective portion of the cross currency swaps.

	Group		Company	
	2018 US$'000	**2017 US$'000**	**2018 US$'000**	**2017 US$'000**
At 1 January	**259**	(681)	**42**	(570)
Net movement on cash flow hedge:				
Gains/(losses) arising during the year				
– Cross currency swaps	**401**	612	**401**	612
– Reclassification to profit or loss on termination of cash flow hedge	**(443)**	–	**(443)**	–
– Reclassification to profit or loss on dilution of interest in joint venture	**–**	(12)	**–**	–
– Share of net movement in cash flow hedge of an associate	**(103)**	340	**–**	–
At 31 December	**114**	259	**–**	42

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. OTHER RESERVES (CONT'D)

(d) Defined benefit plan

The Group's subsidiary, PT Marine Engineering Services (PT MES) has made long-term employee benefits liabilities that cover the minimum benefits required to be paid to qualified employees under Labor Law No. 13/2003 (the "Labor Law").

The amount included in the consolidated balance sheet arising from PT MES's obligation in respect of its defined benefit plans is as follows:

	Group		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Present value of defined benefit obligation	**45**	49	48
Net liability arising from defined benefit obligation	**45**	49	48

Changes in present value of the defined benefit obligations are as follow:

	Group	
	2018 US$'000	2017 US$'000
As at 1 January	**49**	48
Interest cost	**3**	4
Current service cost	**6**	8
Re-measurement loss	**(10)**	(1)
Benefits paid	**–**	(10)
Exchange differences	**(3)**	–
As at 31 December	**45**	49

The cost of defined benefit plan as well as the present value of the obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the benefit obligations for the defined benefit plan are shown below:

	Group		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Discount rate	**8.3%**	7.0%	8.5%
Salary increment rate	**10.0%**	10.0%	10.0%
Mortality rate	**TMI-2011**	TMI-2011	TMI-2011
Retirement age	**55 years**	55 years	55 years
Actuarial method	**Projected Unit Credit**	Projected Unit Credit	Projected Unit Credit

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31. OTHER RESERVES (CONT'D)

(d) Defined benefit plan (Cont'd)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		Group		
		2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Discount rate	+1%	**6**	7	7
	-1%	**(7)**	(8)	(8)
Salary increment rate	+1%	**(6)**	(8)	(8)
	-1%	**6**	6	7

(e) Capital reserve

(i) *Premium paid on acquisition of non-controlling interests*

	Group		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
At 1 January and 31 December	**(3,179)**	(3,179)	(3,179)

(ii) *Gain or loss on reissuance of treasury shares*

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

	Group and Company	
	2018 US$'000	2017 US$'000
At 1 January	**–**	–
Treasury shares reissued pursuant to employee share award plan	**(30)**	–
At 31 December	**(30)**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. EMPLOYEE BENEFITS

	Group 2018 US$'000	Group 2017 US$'000
Employee benefits expense (including directors):		
Salaries, wages and benefits	**8,053**	8,632
Central Provident Fund contributions	**761**	782
Employee service cost (Defined benefit plan) (Note 31(d))	**9**	12
Share-based payments (Performance share plan) (Note 31(b))	**4**	42
At 31 December	**8,827**	9,468

Performance Share Plan

With effect from 2016, Performance Share Awards are given to selected employees of the Company and its subsidiaries. The awards are conditional upon the achievement of predetermined performance targets over the performance period, which is three years for the Performance Share Awards. For the awards granted on 28 July 2016 ("Grant 1"), 50% of the awards will vest in two years from the grant date and the remaining 50% of the awards will vest in three years from the grant date. For the awards granted on 14 November 2017 ("Grant 2"), 33% of the awards will vest in May 2018, 33% of the awards will vest in May 2019 and the remaining of the awards will vest in May 2020. The awards are settled by delivery of the Company's shares. The movements of the number of performance shares during the financial year were as follows:

Date of Grant	Outstanding as at 1 Jan '000	Granted during the financial year '000	Vested during the financial year '000	Cancelled during the financial year '000	Outstanding as at 31 Dec '000
2018					
28 July 2016	**1,526**	**–**	**–**	**(763)**	**763**
14 November 2017	**2,005**	**–**	**(214)**	**(505)**	**1,286**
	3,531	**–**	**(214)**	**(1,268)**	**2,049**
2017					
28 July 2016	1,870	–	–	(344)	1,526
14 November 2017	–	2,029	–	(24)	2,005
	1,870	2,029	–	(368)	3,531

The fair values of the performance shares under Grant 1 are estimated using a Monte-Carlo simulation methodology at the measurement dates, which is the grant value date for these equity-settled awards, taking into account the terms and conditions upon which the awards were granted.

The following table lists the inputs to the option pricing models for Grant 1:

	Grant 1
Dividend yield (%)	4.55
Expected volatility (%)	2-year: 41.33 3-year: 41.64
Risk-free rate (%)	2-year: 1.49 3-year: 1.58
Share price at grant date (S$)	0.24

The fair values of the performance shares under Grant 2 are based on the share price of the Company as at the date of grant.

During the financial year, 214,000 share awards were vested under Grant 2, resulting in 214,000 treasury shares being reissued.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2018 US$'000	**2017 US$'000**
Income		
Charter hire income:		
– Joint ventures	**185**	299
Ship repair income:		
– Associates	**477**	60
– Joint ventures	**344**	2,353
Interest income from:		
– Associates	**–**	2,583
– Joint ventures	**1,477**	3,035
Management fee income from:		
– Joint ventures	**346**	289
Ship management fee income from:		
– Associates	**8**	24
– Joint ventures	**188**	280
Miscellaneous income from:		
– Associates	**26**	38
– Joint ventures	**205**	2,372
Expense		
Charter hire expense and other cost of sales to:		
– Associates	**1,549**	925
– Joint ventures	**2,446**	30
Interest expense to:		
– A shareholder of a subsidiary	**539**	422
Other service expenses to:		
– A company related to a director	**10**	60

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Compensation of key management personnel (including directors)

	Group	
	2018 US$'000	**2017 US$'000**
Short-term employee benefits	**1,629**	1,649
Central Provident Fund contributions	**69**	70
	1,698	1,719
Comprise amounts paid to:		
Directors of the Company	**1,239**	1,218
Other key management personnel	**459**	501
	1,698	1,719

34. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements were as follows:

	Group		
		31 December	**1 January**
	2018 US$'000	**2017 US$'000**	**2017 US$'000**
Capital commitments in respect of purchase/ construction of vessels	**–**	13,950	69,630

(b) Operating lease commitments – as lessee

Rental expense in relation to land was US$655,000 and US$628,000 for the years ended 31 December 2018 and 2017, respectively.

Charter hire expense in relation to vessels was US$Nil and US$4,654,000 for the years ended 31 December 2018 and 2017 respectively. During the financial year, the Group negotiated and terminated one of the agreements for charter of vessel with no further obligations and penalties. As a result, there was no charter hire expense in 2018 and the Group recorded a gain on termination of vessel lease contract of US$1,248,000 (Note 5) due to reversal of previously accrued expenses.

The Group has various agreements for the rental of land for its office and shipyard premises and for charter of vessels. The lease agreements for the rental of land for its office and shipyard premises contain provisions for rental adjustments that are based on market rent conditions and expire in the year 2037. The terms do not contain restrictions on the Group's activities concerning dividends, additional debts or entering into other leasing agreements.

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34. COMMITMENTS (CONT'D)

(b) Operating lease commitments – as lessee (Cont'd)

Future minimum rental payable under all these that are non-cancellable operating leases at the balance sheet date were as follows:

	Group		
		31 December	1 January
	2018 US$'000	2017 US$'000	2017 US$'000
Not later than one year	**599**	5,268	5,324
Later than one year but not later than five years	**2,396**	21,085	21,310
Later than five years	**8,387**	15,961	22,129
	11,382	42,314	48,763

(c) Operating lease commitments – as lessor

The Group had entered into charter hire leases on its fleet of vessels. The leases have varying terms and renewal rights.

The future minimum lease receivables under leases that are non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables were as follows:

	Group		
		31 December	1 January
	2018 US$'000	2017 US$'000	2017 US$'000
Not later than one year	**12,630**	10,156	15,817
Later than one year but not later than five years	**20,257**	22,687	38,332
	32,887	32,843	54,149

35. CONTINGENT LIABILITIES

Corporate guarantee

As at the end of the financial year, the Company had issued corporate guarantees to banks for granting banking facilities to certain subsidiaries, joint ventures and associates.

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Corporate guarantees given for the borrowings of:						
– Subsidiaries	**–**	–	–	**443,021**	451,921	446,045
– Joint ventures	**20,516**	34,614	41,866	**14,764**	29,050	36,505
– Associates	**4,974**	5,591	5,564	**4,974**	5,591	5,564
	25,490	40,205	47,430	**462,759**	486,562	488,114

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35. CONTINGENT LIABILITIES (CONT'D)

Corporate guarantee (Cont'd)

As at the end of the previous financial year, the Company had also issued corporate guarantees amounting to US$30,026,000 (1 January 2017: US$34,680,000) in respect of the operating lease commitment of 1 (1 January 2017: 1) vessel under a sale and leaseback agreement entered by the Group. In 2018, the Group terminated the sale and leaseback agreement with no further obligations and penalties. As a result, the Company was discharged from the corporate guarantee.

Corporate guarantees given by the Company will become due and payable on demand when an event of default occurs. In 2017, the Group breached certain terms of the bank loans and commenced discussion with bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure. The Group had an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group. Discussions with bank lenders and potential investors are still ongoing. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under a Scheme (see note 26).

As disclosed in Note 40, the Court has granted Pacific Radiance and other entities of the Group moratoria under section 211(B) (1) of the Companies Act. The moratoria have been extended to 18 April 2019 to allow more time for discussions with bank lenders. The Group intends to seek further extension of the moratoria at the next hearing. In the event that the moratoria are not extended, the banks are entitled to enforce their rights against the corporate guarantee.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees on policies and procedures for the management of these risks.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables, other receivables and amounts due from related companies. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by trading with recognised and credit worthy third parties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when oil price stays below US$40 per barrel for a consecutive 12-month period. Under such a scenario, the Group expects an increase in the expected credit loss due to higher probability of default by customers.

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For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the value of the collateral supporting the obligation

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

The Group also determines that there is a significant increase in credit risk if a debtor is more than 180 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

The Group considers categorising a loan or receivable for potential write-off when a debtor fails to make contractual payments more than a year past due. Financial assets are written off when there is no reasonable expectation of recovery. When loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. When recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(i) Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast in recovery of oil prices, leading to a decrease in number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables (excluding unbilled trade receivables).

	Total US$'000	Current US$'000	< 60 days US$'000	60 to 90 days US$'000	> 90 days US$'000
2018					
Gross carrying amount	**28,779**	**5,630**	**5,196**	**1,364**	**16,589**
Loss allowance provision	**12,010**	**–**	**–**	**1**	**12,009**

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For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

(i) Trade receivables (Cont'd)

Included in the loss allowance provision is US$70,000 relating to expected credit loss provided using the provision matrix. In addition to the provision matrix, the Group also provide for expected credit loss for trade receivables due from debtors that were in significant financial difficulties and had defaulted on payments. The loss allowance provision for trade receivables as at 31 December 2018 reconciles to the opening loss allowance as follows:

	Group 2018 US$'000
At 1 January	13,597
Loss allowance measure at:	
Lifetime ECL	
– Based on provision matrix	17
– Credit risk has increased significantly since initial recognition	134
Write back of allowance	(213)
Written off during the year	(1,526)
Exchange difference	1
At 31 December	12,010

Information regarding loss allowance movement of trade receivables are disclosed in Note 17.

(ii) Other receivables at amortised cost

The Group provides for lifetime expected credit loss for other receivables using the probability of default approach. In determining ECL for other receivables, the Group considers events such as significant adverse changes in financial conditions of the debtors and determined that significant increase in credit risk occur when there is changes in the risk that the specific debtor will default on the payments.

The loss allowance provision for other receivables at amortised cost as at 31 December 2018 reconciles to the opening loss allowance provision as follows:

	Group 2018 US$'000
At 1 January	18,875
Loss allowance measure at:	
Lifetime ECL	
– Credit risk has increased significantly since initial recognition	1,552
Exchange difference	(9)
At 31 December	20,418

Information on gross amount of other receivables is disclosed in Note 18. The Company does not have significant other receivables at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

(iii) Amounts due from related companies at amortised cost

The Group provides for lifetime expected credit losses for trade amounts due from related companies based on a provision matrix similar to allowance for trade receivables. The Group compute expected credit loss for non-trade amounts and loans due from related companies using the probability of default approach. In determining this ECL, the Group considers events such as significant adverse changes in financial conditions and changes in the operating results of the related companies and determined that significant increase in credit risk occur when there is changes in the risk that the specific related company will default on the payments.

A summary of the Group's internal grading category in the computation of the Group's expected credit loss model for the amounts due from related companies excluding trade related is as follows:

Category	Definition of category	Basis for recognition of expected credit loss provision	Basis for calculating interest revenue
Grade I	Related companies have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit losses	Gross carrying amount
Grade II	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 180 days past due.	Lifetime expected credit losses	Gross carrying amount
Grade III	Interest and/or principal repayments are 270 days past due and management assessed that there is no reasonable expectation of recovery.	Lifetime expected credit losses	Amortised cost of carrying amount (net of credit allowance)

The loss allowance provision for amounts due from related companies at amortised cost as at 31 December 2018 reconciles to the opening loss allowance provision as follows:

	Group 2018 US$'000	Company 2018 US$'000
At 1 January	70,082	220,225
Loss allowance measure at:		
Lifetime ECL		
– Provision matrix	24	–
– Credit risk has increased significantly since initial recognition	13,588	45,682
Written off during the year	(3,057)	–
Exchange difference	(2,448)	(1,652)
At 31 December	78,189	264,255

Information on gross amounts of amounts due from related companies is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk was represented by:

– The carrying amount of each class of financial assets recognised in the balance sheets.

– Corporate guarantees provided by the Group and Company (Note 35).

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the ageing profile of its 5 major customers. At the balance sheet date, approximately 46% (31 December 2017: 33%, 1 January 2017: 5%) of the Group's trade receivables were due from 5 major customers.

	Total US$'000	Current US$'000	< 60 days US$'000	60 to 90 days US$'000	> 90 days US$'000
2018					
Top 5 customers	**8,072**	**1,992**	**2,820**	**684**	**2,576**
31 December 2017					
Top 5 customers	6,218	3,590	2,346	256	26
1 January 2017					
Top 5 customers	497	122	26	–	349

65% (31 December 2017: 62%, 1 January 2017: 68%) of the Group's financial instruments at amortised cost were due from related companies while almost all of the Company's financial instruments at amortised cost were due from related parties.

Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired were with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, cash in holding accounts and derivatives that were neither past due nor impaired were placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that were either past due or impaired

Information regarding financial assets that were either past due or impaired was disclosed in Note 17 (Trade receivables), Note 18 (Other receivables) and Note 14 (Amounts due from related companies).

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

During the year, the Group has commenced discussion with its bank lenders, noteholders and potential investors in relation to the restructuring of the Group's borrowings and capital structure (see Notes 26 and 27).

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For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (Cont'd)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group				
2018				
Financial liabilities:				
Trade payables and other liabilities	**81,227**	**–**	**–**	**81,227**
Amounts due to related companies	**8,437**	**–**	**–**	**8,437**
Bank loans	**462,077**	**–**	**–**	**462,077**
Notes payable	**73,350**	**–**	**–**	**73,350**
Finance lease obligations	**616**	**90**	**–**	**706**
Total undiscounted financial liabilities	**625,707**	**90**	**–**	**625,797**

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group				
31 December 2017				
Financial liabilities:				
Trade payables and other liabilities	73,706	–	–	73,706
Derivatives:				
– Interest rate swaps – settled net	58	15	–	73
– Cross currency swaps – gross payments	82,643	–	–	82,643
– Cross currency swaps – gross receipts	(76,944)	–	–	(76,944)
Amounts due to related companies	7,407	–	–	7,407
Bank loans	468,771	–	–	468,771
Notes payable	78,016	–	–	78,016
Finance lease obligations	370	374	–	744
Total undiscounted financial liabilities	634,027	389	–	634,416
1 January 2017				
Financial liabilities:				
Trade payables and other liabilities	48,673	–	–	48,673
Derivatives:				
– Interest rate swaps – settled net	368	381	–	749
– Cross currency swaps – gross payments	3,682	82,643	–	86,325
– Cross currency swaps – gross receipts	(2,974)	(72,664)	–	(75,638)
Amounts due to related companies	3,977	–	–	3,977
Bank loans	62,205	399,215	29,936	491,356
Notes payable	5,038	70,069	–	75,107
Finance lease obligations	234	592	–	826
Total undiscounted financial liabilities	121,203	480,236	29,936	631,375

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (Cont'd)

Analysis of financial liabilities by remaining contractual maturities (Cont'd)

	One year or less US$'000	One to five years US$'000	Total US$'000
Company			
2018			
Financial liabilities:			
Other liabilities	**9,600**	**–**	**9,600**
Amounts due to related companies	**204,620**	**–**	**204,620**
Notes payable	**73,350**	**–**	**73,350**
Total undiscounted financial liabilities	**287,570**	**–**	**287,570**
31 December 2017			
Financial liabilities:			
Other liabilities	3,261	–	3,261
Amounts due to related companies	190,520	–	190,520
Notes payable	78,016	–	78,016
Derivatives:			
– Cross currency swaps – gross payments	82,643	–	82,643
– Cross currency swaps – gross receipts	(76,944)	–	(76,944)
Total undiscounted financial liabilities	277,496	–	277,496
1 January 2017			
Financial liabilities:			
Other liabilities	2,190	–	2,190
Amounts due to related companies	176,682	–	176,682
Notes payable	5,038	70,069	75,107
Derivatives:			
– Cross currency swaps – gross payments	3,682	82,643	86,325
– Cross currency swaps – gross receipts	(2,974)	(72,664)	(75,638)
Total undiscounted financial liabilities	184,618	80,048	264,666

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (Cont'd)

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities. The maximum amount of the corporate guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	One year or less US$'000
2018	
Group	
Corporate guarantees	**25,490**
Company	
Corporate guarantees	**462,759**
31 December 2017	
Group	
Corporate guarantees	40,205
Company	
Corporate guarantees	486,562
1 January 2017	
Group	
Corporate guarantees	47,430
Company	
Corporate guarantees	488,114

(c) Interest rate risk

Interest rate risk is the risk that the future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their bank loans. To partly manage interest rate fluctuations, the Group enters into interest rate swaps.

Sensitivity analysis for interest rate risk

At the balance sheet date, if USD interest rates had been 75 (2017: 75) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been US$2,992,000 (2017: US$2,950,000) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate bank loans. In computing the effect of changes in interest rates, the mitigating effect of interest rate swaps entered into by the Group has been considered. The analysis was performed on the same basis as prior year.

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For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily USD.

The Group's financial results can be affected by movements in the USD/SGD exchange rates arising from the portion of cost of sales and operating expenses that are denominated in SGD. The Group uses forward currency contracts to hedge foreign exchange exposures arising from SGD denominated cost of sales and operating expenses. The Group hedges partially its aggregate exposure to SGD.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the SGD exchange rates against the USD, with all other variables held constant. The analysis was performed on the same basis for 2017.

		Group Loss before tax	
		2018 US$'000	**2017 US$'000**
USD/SGD	– strengthened 3% (2017: 3%)	**4,839**	2,505
	– weakened 3% (2017: 3%)	**(4,839)**	(2,505)

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(i) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(ii) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	2018 US$'000 Fair value measurements at the end of the reporting period using		
	Quoted prices in active markets for identifiable instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Total**
Group			
Assets measured at fair value			
Financial assets:			
Held for trading financial assets			
Quoted equity securities (Note 19)	**39**	**–**	**39**
Derivatives (Note 15)			
Interest rate swaps	**–**	**135**	**135**
Financial assets as at 31 December 2018	**39**	**135**	**174**

	31 December 2017 US$'000 Fair value measurements at the end of the reporting period using		
	Quoted prices in active markets for identifiable instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Total**
Group			
Assets measured at fair value			
Financial assets:			
Held for trading financial assets			
Quoted equity securities (Note 19)	77	–	77
Derivatives (Note 15)			
Interest rate swaps	–	153	153
Financial assets as at 31 December 2017	77	153	230
Liabilities measured at fair value			
Financial liabilities:			
Derivatives (Note 15)			
Interest rate swaps	–	(3)	(3)
Cross currency swaps	–	(5,504)	(5,504)
Financial liabilities as at 31 December 2017	–	(5,507)	(5,507)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(ii) Fair value of financial instruments that are carried at fair value (Cont'd)

	31 December 2017 US$'000 Fair value measurements at the end of the reporting period using		
	Quoted prices in active markets for identifiable instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Total
Company			
Liabilities measured at fair value			
Financial liabilities:			
Derivatives (Note 15)			
Cross currency swaps	–	(5,504)	(5,504)
Financial liabilities as at 31 December 2017	–	(5,504)	(5,504)

	1 January 2017 US$'000 Fair value measurements at the end of the reporting period using		
	Quoted prices in active markets for identifiable instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Total
Group			
Assets measured at fair value			
Financial assets:			
Held for trading financial assets			
Quoted equity securities (Note 19)	69	–	69
Derivatives (Note 15)			
Interest rate swaps	–	12	12
Financial assets as at 1 January 2017	69	12	81
Liabilities measured at fair value			
Financial liabilities:			
Derivatives (Note 15)			
Interest rate swaps	–	(203)	(203)
Cross currency swaps	–	(11,802)	(11,802)
Financial liabilities as at 1 January 2017	–	(12,005)	(12,005)
Company			
Liabilities measured at fair value			
Financial liabilities:			
Derivatives (Note 15)			
Cross currency swaps	–	(11,802)	(11,802)
Financial liabilities as at 1 January 2017	–	(11,802)	(11,802)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(ii) Fair value of financial instruments that are carried at fair value (Cont'd)

Level 2 fair value measurements

Derivatives

Interest rate swaps and cross currency swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counter-parties, foreign exchange spot and forward rates, interest rate curves and forward rate curves. These contracts are determined by reference to published market prices or bankers' quotes at the reporting date without factoring in transaction costs.

(iii) Financial instruments whose carrying amounts are reasonable approximation of fair value

(a) Trade and other receivables, trade payables and other liabilities, amounts due from/(to) related companies, cash and bank balances and cash pledged.

The carrying amounts of these balances approximate fair values due to their short-term nature.

(b) Bank loans at floating rate, amounts due from related companies, notes payable and lease obligations.

The carrying value of the bank loans approximate fair value as these balances are of variable interest rate with re-pricing features.

The carrying value of lease obligations, amounts due from related companies and notes payable approximate fair value as the current lending rates for similar types of lending arrangements are not materially different from the rates obtained by the Group.

Financial instruments by category

Set below is a comparison by category of the carrying amount of all the Group and Company's financial instruments that were carried in the financial statements.

	Financial assets at amortised cost US$'000	Financial assets at fair value through profit or loss US$'000
Group		
2018		
Assets		
Derivatives	–	135
Trade receivables	17,683	–
Other receivables	1,993	–
Amounts due from related companies	91,849	–
Investment securities	–	39
Cash and bank balances	30,731	–
	142,256	174

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37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(iii) Financial instruments whose carrying amounts are reasonable approximation of fair value (Cont'd)

Financial instruments by category (Cont'd)

	Loans and receivables US$'000	Financial assets at fair value through profit or loss US$'000
Group		
31 December 2017		
Assets		
Derivatives	–	153
Trade receivables	18,607	–
Other receivables	3,694	–
Amounts due from related companies	100,732	–
Investment securities	–	77
Cash and bank balances	39,377	–
	162,410	230
1 January 2017		
Assets		
Derivatives	–	12
Trade receivables	10,359	–
Other receivables	11,180	–
Amounts due from related companies	151,320	–
Investment securities	–	69
Cash and bank balances	50,628	–
	223,487	81

	Financial liabilities at amortised cost US$'000	Financial liabilities at fair value through profit or loss US$'000
Group		
2018		
Liabilities		
Trade payables	**15,717**	**–**
Other liabilities	**64,651**	**–**
Amounts due to related companies	**8,437**	**–**
Bank loans	**443,021**	**–**
Notes payable	**73,350**	**–**
Finance lease obligations	**664**	**–**
	605,840	**–**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(iii) Financial instruments whose carrying amounts are reasonable approximation of fair value (Cont'd)

Financial instruments by category (Cont'd)

	Financial liabilities at amortised cost US$'000	Financial liabilities at fair value through profit or loss US$'000
Group		
31 December 2017		
Liabilities		
Trade payables	17,706	–
Other liabilities	55,533	–
Amounts due to related companies	7,407	–
Bank loans	451,921	–
Notes payable	73,344	–
Derivatives	–	5,507
Finance lease obligations	700	–
	606,611	5,507
1 January 2017		
Liabilities		
Trade payables	13,330	–
Other liabilities	34,943	–
Amounts due to related companies	3,977	–
Bank loans	446,045	–
Notes payable	67,806	–
Derivatives	–	12,005
Finance lease obligations	766	–
	566,867	12,005

	Financial assets at amortised cost US$'000
Company	
2018	
Assets	
Amounts due from related companies	141,448
Cash and bank balances	613
	142,061

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(iii) Financial instruments whose carrying amounts are reasonable approximation of fair value (Cont'd)

Financial instruments by category (Cont'd)

	Loans and receivables US$'000
Company	
31 December 2017	
Assets	
Amounts due from related companies	170,180
Cash and bank balances	3,295
	173,475
1 January 2017	
Assets	
Amounts due from related companies	373,627
Cash and bank balances	4,126
	377,753

	Financial liabilities at amortised cost US$'000	Financial liabilities at fair value through profit or loss US$'000
Company		
2018		
Liabilities		
Other liabilities	**9,342**	**–**
Amounts due to related companies	**204,620**	**–**
Notes payable	**73,350**	**–**
	287,312	**–**
31 December 2017		
Liabilities		
Other liabilities	3,261	–
Amounts due to related companies	190,520	–
Notes payable	73,344	–
Derivatives	–	5,504
	267,125	5,504
1 January 2017		
Liabilities		
Other liabilities	2,190	–
Amounts due to related companies	176,682	–
Notes payable	67,806	–
Derivatives	–	11,802
	246,678	11,802

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

38. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure it maintains a strong credit rating and healthy capital ratios in order to support its business, maximise shareholder value and fulfil its financing commitments. No changes were made in the objectives during the years ended 31 December 2018 and 31 December 2017.

The Group's capital management strategy includes a mix of debt and equity which is aligned to the Group's current business strategies. The Group monitors capital mainly using a gearing ratio, which is net debt divided by total equity attributable to equity holders of the company. The Group defines net debt as bank loans and notes payable, less cash and bank balances. This is monitored regularly to ensure compliance to debt covenants.

In 2017, the Group breached certain terms of the banks loans and commenced discussion with bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure. The Group had an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group. Discussions with bank lenders and potential investors are still ongoing.

The Group intends to pursue the restructuring by way of a Scheme. On 24 August 2018, the noteholders approved the terms of restructuring of the notes payable, including the extension of the maturity date of the notes payable from 29 August 2018 to 30 September 2019, subject to sanction of the Scheme by the Court and shareholders' approval. Refer to Note 2.1 for more information on the restructuring.

	Group	
	2018 US$'000	**2017 US$'000**
Bank loans	**443,021**	451,921
Notes payable	**73,350**	73,344
Less: Cash and bank balances	**(30,731)**	(39,377)
Net debt	**485,640**	485,888
Equity attributable to the equity holders of the Company	**(141,802)**	(42,642)
Gearing ratio (%)	**NM**	NM

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. SEGMENT INFORMATION

For management purposes, the Group is organised into three main operating business divisions based on their services and products:

I. The Offshore Support Services business is engaged in the owning, managing, chartering of offshore vessels supporting the offshore oil and gas industry.

II. The Subsea Business is engaged in owning, operating dive support vessels, and provision of subsea inspection, repair, maintenance and light construction services; and

III. The Shipyard Business is engaged in ship-repair activities.

Except as indicated above, no other operating segments have been aggregated to form the above reportable operating segments.

The Group has updated the segment information to replace Complementary Businesses with Shipyard Business as the other two businesses, Marine Equipment and Project Logistic Services, have ceased operation. The comparative information in 2017 has been restated accordingly.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit from operations. Income taxes are managed on a group basis and are not allocated to operating segments.

In presenting geographical information, segment revenue is based on the location in which the services are performed.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Offshore support services business US$'000	Subsea business US$'000	Shipyard business US$'000	Per consolidated financial statements US$'000
2018				
Revenue:				
Sales	46,623	10,725	8,119	65,467
Inter-segment sales (Note A)	(2,209)	(667)	(1,924)	(4,800)
Sales to external customers	44,414	10,058	6,195	60,667
Results:				
Interest income	1,651	28	17	1,696
Finance costs	(20,571)	(201)	(1,411)	(22,183)
Depreciation and amortisation	(13,074)	(2,010)	(3,331)	(18,415)
Share of results of joint ventures	1,021	–	–	1,021
Share of results of associates	(12,712)	–	–	(12,712)
Impairment of property, plant and equipment	(21,530)	(7,741)	(9,862)	(39,133)
Other non-cash expenses (Note B)	(9,707)	(4,164)	(612)	(14,483)
Segment loss	(70,026)	(12,504)	(17,602)	(100,132)
Segment assets:				
Investment in associates	–	–	–	–
Investment in joint ventures	6,438	–	–	6,438
Additions to non-current assets (Note C)	1,461	–	69	1,530
Segment assets	319,074	97,008	52,670	468,752
Segment liabilities	555,298	19,121	52,815	627,234

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. SEGMENT INFORMATION (CONT'D)

	Offshore support services business US$'000 Restated	Subsea business US$'000	Shipyard Business US$'000 Restated	Per consolidated financial statements US$'000
2017				
Revenue:				
Sales	48,488	20,073	11,440	80,001
Inter-segment sales (Note A)	(6,264)	(1,281)	(4,781)	(12,326)
Sales to external customers	42,224	18,792	6,659	67,675
Results:				
Interest income	3,439	2,911	–	6,350
Finance costs	(18,393)	(133)	(1,089)	(19,615)
Depreciation and amortisation	(23,104)	(3,603)	(3,256)	(29,963)
Share of results of joint ventures	(14,015)	–	–	(14,015)
Share of results of associates	(4,945)	–	–	(4,945)
Impairment of property, plant and equipment	(178,070)	–	–	(178,070)
Other non-cash expenses (Note B)	(68,990)	(24,867)	(221)	(94,078)
Segment loss	(289,928)	(44,300)	(6,296)	(340,524)
Segment assets:				
Investment in associates	12,771	–	–	12,771
Investment in joint ventures	5,417	–	–	5,417
Additions to non-current assets (Note C)	15,082	28	338	15,448
Segment assets	395,507	113,071	65,540	574,118
Segment liabilities	560,074	19,126	52,374	631,574

	Offshore support services business US$'000 Restated	Subsea business US$'000	Shipyard Business US$'000 Restated	Per consolidated financial statements US$'000
As at 1 January 2017				
Segment assets:				
Investment in associates	–	–	–	–
Investment in joint ventures	60,346	–	–	60,346
Segment assets	707,573	135,224	61,530	904,327
Segment liabilities	554,262	11,310	50,152	615,724

Note A: Inter-segment sales are eliminated on consolidation.

Note B: Other non-cash expenses consist of impairment of joint ventures and associates, financial assets and club membership as presented in the respective notes to financial statements.

Note C: Additions to non-current assets consist of additions to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. SEGMENT INFORMATION (CONT'D)

Geographical information

Revenue is based on the geographical location in which the services are performed. Non-current assets are based on the geographical location of the companies that own the assets:

	Revenue		Non-current assets		
	2018 US$'000	2017 US$'000	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Asia[1]	**44,734**	42,742	**284,505**	389,255	612,707
Middle East	**15,933**	21,105	**–**	–	–
Australia	**–**	3,828	**–**	–	–
Latin America	**–**	–	**–**	6	1,361
	60,667	67,675	**284,505**	389,261	614,068

(1) Asia includes Brunei, Malaysia, Myanmar, Singapore and Thailand.

Included in revenue from Asia is an amount of US$6,697,000 (2017: US$6,800,000) relating to revenue from Singapore.

Non-current assets information presented above consists of property, plant and equipment and club memberships as presented in the consolidated balance sheet.

Included in non-current assets from Asia is an amount of US$268,848,000 (31 December 2017: US$372,941,000, 1 January 2017: US$586,788,000) relating to non-current assets from Singapore.

Information about major customers

Revenue from 2 major customers (2017: 2 major customers) amounting to US$13,583,000 and US$17,026,000 for the financial years ended 31 December 2018 and 2017 respectively arose from sales by the Offshore Support Business.

As the Group performs analysis of geographical segment revenue based on a regional/continent basis instead of by individual country, it is more meaningful and relevant to view the regional spread based on groupings of countries making up key regions/continents for the oil and gas activities.

40. SUBSEQUENT EVENTS

The Court has granted the Company and certain other entities of the Group moratoria under section 211(B)(1) of the Companies Act. The moratoria have been extended to 18 April 2019 to allow more time for discussions with bank lenders. The Group intends to seek further extension of the moratoria at the next hearing.

Subsequent to year end, the Group sold one of its vessels under assets held for sale which was mortgaged to a bank. The proceeds of US$8,500,000 were used to repay part of the outstanding bank loan and the remaining bank loan was forgiven. The Group will derecognise the asset held for sale of US$18,945,000 and the bank loan and accrued interest of US$22,552,000. As a result, the Group will record a loss on sale of vessel of US$10,445,000 and a gain on debt forgiveness of US$13,994,000.

41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 March 2019.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

SHARE CAPITAL

Class of shares	:	Ordinary Shares
Number of issued and paid-up shares (excluding Treasury Shares)	:	713,726,013
Number of Treasury Shares	:	12,029,000
Number (Percentage) of Treasury Shares to total number of issued shares excluding Treasury Shares	:	1.69%
Voting rights (excluding Treasury Shares)	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	3	0.12	115	0.00
100 – 1,000	143	5.67	132,000	0.02
1,001 – 10,000	1,059	42.01	6,281,809	0.88
10,001 – 1,000,000	1,295	51.37	81,486,884	11.42
1,000,001 and above	21	0.83	625,825,205	87.68
Total	2,521	100.00	713,726,013	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
YM InvestCo Pte. Ltd.	465,470,000	65.22	–	–
Mok Weng Vai	46,911,256	6.57	–	–
Pang Yoke Min	20,142,444	2.82	465,470,000[(1)]	65.22

(1) Mr. Pang Yoke Min is deemed to be interested in the 465,470,000 shares held by YM InvestCo Pte. Ltd. by virtue of Section 4 of the Securities and Futures Act as he and his associates hold 100.0% of the shares in YM InvestCo Pte. Ltd.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LIMITED	435,109,184	60.96
2	DBS NOMINEES PTE LTD	56,189,200	7.87
3	MOK WENG VAI	46,911,256	6.57
4	YONG YIN MIN	27,623,000	3.87
5	CITIBANK NOMINEES SINGAPORE PTE LTD	14,589,300	2.04
6	PANG YOKE MIN	11,142,444	1.56
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,878,900	0.68
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,554,751	0.64
9	FREDDIE TAN POH CHYE	3,099,000	0.43
10	PHILLIP SECURITIES PTE LTD	2,823,700	0.40
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,573,900	0.36
12	UOB KAY HIAN PTE LTD	2,454,500	0.34
13	LIM AND TAN SECURITIES PTE LTD	1,743,600	0.24
14	OCBC NOMINEES SINGAPORE PTE LTD	1,710,400	0.24
15	S NALLAKARUPPAN	1,658,400	0.23
16	KGI SECURITIES (SINGAPORE) PTE. LTD.	1,655,300	0.23
17	MARC-PLAN PTE LTD	1,650,000	0.23
18	LAU BOON HWEE	1,624,970	0.23
19	TAN SIANG SENG	1,390,000	0.19
20	OCBC SECURITIES PRIVATE LTD	1,374,500	0.19
	Total:	624,756,305	87.50

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 18 March 2019, approximately 20.62% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of the Company will be held at 15 Pandan Road, Singapore 609263 on Friday, 26 April 2019 at 10.00 a.m. to transact the following businesses:–

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements of the Company for the financial year ended 31 December 2018 and the Directors' Statement and the Independent Auditor's Report thereon.

   (See Explanatory Note 1)

2. To approve the Directors' fees of S$395,000 for the financial year ending 31 December 2019. **(Resolution 1)**

3. (i) To re-elect the following Directors who are retiring pursuant to Article 111 of the Company's Constitution, and being eligible, offered themselves for re-election:–

   Article 111

   (a) Mr. Pang Wei Meng **(Resolution 2)**

   (b) Mr. Ng Tiong Gee **(Resolution 3)**

   (ii) To note the retirement of Ms. Ooi Chee Kar pursuant to Article 111 of the Company's Constitution.

   (See Explanatory Note 2)

4. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:–

5. Authority to allot and issue shares

   (a) "That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

   (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to, the creation and issue of warrants, debentures or other instruments convertible into shares;

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

   (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

a) new shares arising from the conversion or exercise of convertible securities,

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier." **(Resolution 5)**

(See Explanatory Note 3)

6. Authority to grant awards and issue shares under the Pacific Radiance Performance Share Plan

"That approval be and is hereby given to the Directors of the Company to:

(a) grant awards in accordance with the provisions of the Pacific Radiance Performance Share Plan (the "**Performance Share Plan**"); and

(b) allot and issue such number of ordinary shares in the capital of the Company as may be required to be delivered pursuant to the vesting of awards under the Performance Share Plan, provided that the aggregate number of new shares to be issued under the Performance Share Plan shall not exceed 15% of the total number of issued shares (excluding treasury shares) from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note 4) **(Resolution 6)**

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

11 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chap 50, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

2. Pursuant to Section 181(1C) of the Companies Act, Chap 50, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be lodged at the office of the Singapore Share Registrar and Share Transfer Office, either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898, at least 48 hours before the time appointed for the AGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the AGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the AGM.

Explanatory Notes:–

1. This Agenda is meant for discussion only as under the provisions of Section 201 of the Companies Act, Chapter 50, the Audited Financial Statements need to be laid before the meeting and hence, the matter will not be put forward for voting.

2. Mr. Ng Tiong Gee will, upon re-election as a Director of the Company, remain as a Lead Independent Director, Chairman of the Nominating Committee, and a member of Remuneration Committee of the Company.

   Ms. Ooi Chee Kar is retiring pursuant to Article 111 of the Company's Constitution and is not seeking for re-election at the AGM. Ms. Ooi will, upon retirement, cease acting as a member of the Nominating Committee and Audit Committee of the Company.

   Key information on the retiring directors can be found on pages 43 to 48 of the Annual Report.

3. The ordinary resolution no. 5 under item no. 5 is to authorise the Directors of the Company from the date of this AGM until the next AGM to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of total number of shares excluding treasury shares of the Company, of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

4. The ordinary resolution no. 6 under item no. 6 is to authorise the Directors of the Company from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the Performance Share Plan, and to allot and issue shares in the capital of the Company pursuant to the Performance Share Plan provided that the aggregate number of shares to be issued under the Performance Share Plan does not exceed 15% of the total number of issued shares excluding treasury shares of the Company from time to time.

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PACIFIC RADIANCE LTD.
(the "Company")
(Incorporated in the Republic of Singapore)
(Company Registration No. 200609894C)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT:
1. Pursuant to Section 181(1C) of the Companies Act, Chapter. 50 (the "Act"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

*I/We ______________________ (Name) ______________________ (NRIC/Passport Number)

of ____ (Address)
being a member/members of Pacific Radiance Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

Or failing him/her, the **Chairman of the Meeting** as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 15 Pandan Road, Singapore 609263 on Friday, 26 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/they may on any other matter arising at the AGM.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided)

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1.	Approval of Directors' Fees for the financial year ending 31 December 2019		
2.	Re-election of Mr. Pang Wei Meng as director		
3.	Re-election of Mr. Ng Tiong Gee as director		
4.	Re-appointment of Auditors		
5.	Authority to issue ordinary shares		
6.	Authority to grant awards and to issue shares under the Pacific Radiance Performance Share Plan.		

* If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [v] within the relevant box. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of Shares in the boxes provided.

Dated this ______ day of ________ 2019

Total number of Shares held:	No. of Shares
CDP Register	
Register of members	

____
Signature/Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Companies Act, Chapter 50, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50.

5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be lodged at the office of the Singapore Share Registrar and Share Transfer Office, either by hand at 80 Robinson Road, #11-02 Singapore 068898, or by post to 80 Robinson Road, #02-00, Singapore 068898, at least 48 hours before the time appointed for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Pang Yoke Min
Executive Chairman

Mr Mok Weng Vai
Executive Director

Mr Pang Wei Meng
Executive Director

Mr Lau Boon Hwee
Executive Director

Mr Ng Tiong Gee
Lead Independent Director

Ms Ooi Chee Kar
Independent Director

Mr Goh Chong Theng
Independent Director

Mr Yong Yin Min
Independent Director

AUDIT COMMITTEE

Mr Goh Chong Theng, Chairman
Ms Ooi Chee Kar
Mr Yong Yin Min

REMUNERATION COMMITTEE

Mr Yong Yin Min, Chairman
Mr Ng Tiong Gee
Mr Goh Chong Theng

NOMINATING COMMITTEE

Mr Ng Tiong Gee, Chairman
Ms Ooi Chee Kar
Mr Pang Wei Meng

JOINT COMPANY SECRETARIES

Ms Lin Moi Heyang, ACIS
Ms Low Mei Wan, ACIS

REGISTERED OFFICE

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SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
80 Robinson Road
#02-00
Singapore 068898

AUDITORS AND REPORTING AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-Charge:
Mr Chan Yew Kiang
Chartered Accountant,
a member of the Institute of Singapore Chartered Accountants

Appointed since financial year ended 2016

PRINCIPAL BANKERS

United Overseas Bank Ltd.
80 Raffles Place
UOB Plaza
Singapore 048624

DBS Bank Ltd.
12 Marina Boulevard, Level 46
DBS Asia Central @ MBFC Tower 3
Singapore 018982

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