



PACIFIC RADIANCE LTD
Company Registration No. 200609894C

Unaudited First Quarter (“1Q 2019”) Financial Statement and Dividend Announcement
For the Three Months Ended 31 March 2019 (“3M 2019”)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		+ / (-)
	1Q 2019	1Q 2018	
	US\$'000	US\$'000	
Revenue	15,948	11,784	35
Cost of sales	(12,774)	(15,088)	(15)
Gross profit	3,174	(3,304)	NM
Other operating income	14,869	1,072	NM
General and administrative expenses	(4,437)	(3,867)	15
Other operating expenses	(10,916)	(796)	NM
Finance costs	(5,683)	(5,437)	5
Share of results of joint ventures	95	474	(80)
Share of results of associates	–	(1,022)	NM
Loss before taxation	(2,898)	(12,880)	(78)
Taxation	(221)	(253)	(13)
Loss for the period	(3,119)	(13,133)	(76)
Other comprehensive (loss) / income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Foreign currency translation	(476)	(444)	7
Net fair value changes on cash flow hedges	–	124	NM
Share of other comprehensive income of an associate	–	(264)	NM
Other comprehensive loss for the period, net of tax	(476)	(584)	(18)
Total comprehensive loss for the period	(3,595)	(13,717)	(74)
Loss for the period attributable to:			
Equity holders of the Company	(4,274)	(12,801)	(67)
Non-controlling interests	1,155	(332)	NM
	(3,119)	(13,133)	(76)
Total comprehensive loss for the period attributable to:			
Equity holders of the Company	(4,750)	(13,381)	(65)
Non-controlling interests	1,155	(336)	NM
	(3,595)	(13,717)	(74)

NM: Not Meaningful

1(a)(ii) Loss for the period was stated after charging/(crediting) the following:

	Group	
	1Q 2019	1Q 2018
	US\$'000	US\$'000
Depreciation of property, plant and equipment (included in cost of sales)	3,862	4,461
Depreciation of property, plant and equipment (included in general and administrative expenses)	200	232
(Writeback)/impairment of doubtful receivables, net	(27)	848
(Writeback)/impairment of amounts due from related companies	(95)	(585)
Net fair value loss/(gain) on derivatives	29	(72)
Gain on sale of property, plant and equipment	–	(12)
Loss/(gain) on sale of assets held for sale	10,445	(4)
Gain on debt forgiveness of bank loan	(14,256)	–
Exchange loss	563	523
Interest income	(320)	(877)
Net fair value loss on held for trading investment	–	10
Realisation of deferred gain on sale of vessels to associate (included in share of results of associates)	–	(41)

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 31 Mar 2019 US\$'000	As at 31 Dec 2018 US\$'000	As at 31 Mar 2019 US\$'000	As at 31 Dec 2018 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	281,792	284,349	–	–
Right-of-use assets	8,582	–	–	–
Investment in subsidiaries	–	–	5	5
Investment in associates	–	–	–	–
Investment in joint ventures	6,533	6,438	–	–
Club memberships	156	156	–	–
Amounts due from related companies	58,212	52,172	–	–
Derivatives	–	118	–	–
	355,275	343,233	5	5
Current assets				
Inventories	304	402	–	–
Trade receivables	21,521	17,683	–	–
Other receivables	5,085	4,016	61	37
Amounts due from related companies	36,323	39,677	144,472	141,448
Investment securities	39	39	–	–
Derivatives	–	17	–	–
Assets held for sale	14,009	32,954	–	–
Cash and bank balances	24,287	30,731	662	613
	101,568	125,519	145,195	142,098
Total assets	456,843	468,752	145,200	142,103
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	15,555	15,717	–	–
Other liabilities	73,828	69,724	9,692	9,342
Amounts due to related companies	7,715	8,437	204,053	204,620
Bank loans	422,295	443,021	–	–
Notes payable	74,030	73,350	74,030	73,350
Provision for taxation	1,357	1,446	–	–
Finance lease obligations	646	575	–	–
Lease liabilities	314	–	–	–
	595,740	612,270	287,775	287,312
Non-current liabilities				
Other liabilities	11,717	11,717	–	–
Provisions	240	238	–	–
Deferred tax liabilities	2,969	2,920	–	–
Finance lease obligations	19	89	–	–
Lease liabilities	8,254	–	–	–
	23,199	14,964	–	–
Total liabilities	618,939	627,234	287,775	287,312
Net liabilities	(162,096)	(158,482)	(142,575)	(145,209)

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year (cont'd).

	Group		Company	
	As at 31 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	As at 31 Dec 2018
	US\$'000	US\$'000	US\$'000	US\$'000
Equity attributable to equity holders of the Company				
Share capital	162,854	162,854	162,854	162,854
Treasury shares	(2,485)	(2,485)	(2,485)	(2,485)
Accumulated losses	(302,682)	(298,408)	(303,108)	(305,761)
Other reserves	(4,258)	(3,763)	164	183
	(146,571)	(141,802)	(142,575)	(145,209)
Non-controlling interests	(15,525)	(16,680)	–	–
Total equity	(162,096)	(158,482)	(142,575)	(145,209)

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

Amount repayable in one year or less, or on demand

Group As at 31 Mar 2019		Group As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
422,941	74,030	443,596	73,350

Amount repayable after one year

Group As at 31 Mar 2019		Group As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
19	–	89	–

Details of any collateral:

The Group's secured portion of bank loans is secured by:

- first legal mortgages over the vessels of the Group, with net book value of US\$219.2 million and US\$221.2 million as at 31 March 2019 and 31 December 2018 respectively;
- first legal mortgages over assets held for sale of the Group, with net book value of US\$14.0 million and US\$33.0 million as at 31 March 2019 and 31 December 2018 respectively;
- escrow mortgages over the buildings, ship-repair yard and plant and equipment of the Group, with net book value of US\$45.9 million and US\$46.1 million as at 31 March 2019 and 31 December 2018 respectively;
- 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\$2.8 million and US\$3.4 million as at 31 March 2019 and 31 December 2018 respectively.

In addition, certain of the Group's bank loans are secured by corporate guarantees from the Company and its subsidiaries.

The banks are entitled to enforce their rights against the mortgaged assets as certain terms of the bank loans have been breached.

The Group is in the process of restructuring its debt obligations. Please refer to Note 10 for more information.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1Q 2019	1Q 2018
	US\$'000	US\$'000
Cash flows from operating activities:		
Loss before taxation	(2,898)	(12,880)
Adjustments for:		
Depreciation of property, plant and equipment	4,062	4,693
Finance costs	5,683	5,437
Interest income	(320)	(877)
Share of results of joint ventures	(95)	(474)
Share of results of associates	–	1,022
Gain on sale of property, plant and equipment, net	–	(12)
Loss/(gain) on disposal of assets held for sale	10,445	(4)
(Writeback)/impairment of doubtful receivables, net	(27)	848
Writeback of impairment of amounts due from related companies, net	(95)	(585)
Net gain on debt forgiveness of bank loan	(14,256)	–
Net fair value loss/(gain) on derivatives	29	(72)
Net fair value loss on held for trading investment securities	–	10
Share-based payment expense	(19)	38
Exchange difference	548	187
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Operating cash flows before changes in working capital	3,057	(2,669)
Increase in trade and other receivables	(4,800)	(427)
Increase/(decrease) in amounts due from/to related companies	(3,077)	404
Decrease/(increase) in inventories	97	(7)
Decrease in trade payables and other liabilities	(135)	(1,197)
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Cash used in operations	(4,858)	(3,896)
Taxes paid	(256)	(336)
Interest paid	(1,728)	(2,251)
Interest received	242	30
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Net cash flows used in operating activities	(6,600)	(6,453)
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1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1Q 2019 US\$'000	1Q 2018 US\$'000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(985)	(517)
Proceeds from sale of property, plant and equipment	–	408
Proceeds from sale of assets held for sale	8,500	350
Loan repayment from related companies, net	–	496
Net cash flows generated from investing activities	7,515	737
Cash flows from financing activities:		
Return of capital to minority shareholders of subsidiary	–	(16)
Repayment of finance lease obligations	(6)	(5)
Repayment of principal portion of lease liabilities	(10)	–
Repayment of bank loans	(7,365)	–
Cash and bank balances released as securities	604	1,689
Net cash flows (used in)/generated from financing activities	(6,777)	1,668
Net decrease in cash and bank balances	(5,862)	(4,048)
Effect of exchange rate changes on cash and bank balances	23	48
Cash and bank balances at beginning of the year	27,285	32,518
Cash and bank balances at end of the year	21,446	28,518
Breakdown of cash and bank balances at end of the period:		
Cash and bank balances as per balance sheet	24,287	33,687
Cash pledged	(2,841)	(5,169)
	21,446	28,518

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Treasury Shares	Accumulated losses	Total other reserves	Foreign currency translation reserve	Employee share-based payments reserve	Hedging reserve	Defined benefit plans	Capital reserve	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group												
Balance at 1 January 2019	162,854	(2,485)	(298,408)	(3,763)	(1,008)	213	114	127	(3,209)	(141,802)	(16,680)	(158,482)
Loss for the period	-	-	(4,274)	-	-	-	-	-	-	(4,274)	1,155	(3,119)
<u>Other comprehensive income</u>												
- Foreign currency translation	-	-	-	(476)	(476)	-	-	-	-	(476)	-	(476)
- Net fair value changes on cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-
- Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(4,274)	(476)	(476)	-	-	-	-	(4,750)	1,155	(3,595)
<u>Contributions by and distributions to equity holders</u>												
- Grant of equity-settled share performance awards to employees	-	-	-	(19)	-	(19)	-	-	-	(19)	-	(19)
Total contributions by and distributions to equity holders	-	-	-	(19)	-	(19)	-	-	-	(19)	-	(19)
<u>Changes in ownership interests in subsidiaries</u>												
- Return of capital to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2019	162,854	(2,485)	(302,682)	(4,258)	(1,484)	194	114	127	(3,209)	(146,571)	(15,525)	(162,096)

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Treasury Shares	Accumulated losses	Total other reserves	Foreign currency translation reserve	Employee share-based payments reserve	Hedging reserve	Defined benefit plans	Capital reserve	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group												
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	162,854	(2,530)	(199,011)	(4,049)	(1,427)	224	259	74	(3,179)	(42,736)	(14,819)	(57,555)
Loss for the period	-	-	(12,801)	-	-	-	-	-	-	(12,801)	(332)	(13,133)
<u>Other comprehensive income</u>												
- Foreign currency translation	-	-	-	(440)	(440)	-	-	-	-	(440)	(4)	(444)
- Net fair value changes on cash flow hedges	-	-	-	124	-	-	124	-	-	124	-	124
- Share of other comprehensive income of an associate	-	-	-	(264)	-	-	(264)	-	-	(264)	-	(264)
Total comprehensive income for the period	-	-	(12,801)	(580)	(440)	-	(140)	-	-	(13,381)	(336)	(13,717)
<u>Contributions by and distributions to equity holders</u>												
- Grant of equity-settled share performance awards to employees	-	-	-	38	-	38	-	-	-	38	-	38
Total contributions by and distributions to equity holders	-	-	-	38	-	38	-	-	-	38	-	38
<u>Changes in ownership interests in subsidiaries</u>												
- Return of capital to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	(16)	(16)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(16)	(16)
Balance at 31 March 2018	162,854	(2,530)	(211,812)	(4,591)	(1,867)	262	119	74	(3,179)	(56,079)	(15,171)	(71,250)

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd).

	Share capital	Treasury Shares	(Accumulated losses)/retained earnings	Total other reserves	Employee share-based payments reserve	Hedging reserve	Capital reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>The Company</u>								
Balance at 1 January 2019	162,854	(2,485)	(305,761)	183	213	–	(30)	(145,209)
Profit for the period	–	–	2,653	–	–	–	–	2,653
<u>Other comprehensive income:</u>								
- Net fair value changes on cash flow hedges	–	–	–	–	–	–	–	–
- Net fair value changes on cash flow hedges, reclassified to profit or loss	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	2,653	–	–	–	–	2,653
<u>Contributions by and distributions to equity holders:</u>								
- Grant of equity-settled performance share awards to employees	–	–	–	(19)	(19)	–	–	(19)
Total contributions by and distributions to equity holders	–	–	–	(19)	(19)	–	–	(19)
Balance at 31 March 2019	162,854	(2,485)	(303,108)	164	194	–	(30)	(142,575)
<u>2018</u>								
Balance at 1 January 2018	162,854	(2,530)	(219,915)	266	224	42	–	(59,325)
Loss for the period	–	–	(18,194)	–	–	–	–	(18,194)
<u>Other comprehensive income:</u>								
- Net fair value changes on cash flow hedges	–	–	–	124	–	124	–	124
Total comprehensive income for the year	–	–	(18,194)	124	–	124	–	(18,070)
<u>Contributions by and distributions to equity holders:</u>								
- Grant of equity-settled performance share awards to employees	–	–	–	38	38	–	–	38
Total contributions by and distributions to equity holders	–	–	–	38	38	–	–	38
Balance at 31 March 2018	162,854	(2,530)	(238,109)	428	262	166	–	(77,357)

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Under the Share Buy Back Mandate (first approved by the Shareholders on 30 April 2014 and last renewed at the Annual General Meeting on 28 April 2017), the Company has not bought back any ordinary shares during the first quarter of 2019.

As at 31 March 2019, the Company's total issued shares is 725,755,013 ordinary shares (31 December 2018: 725,755,013) with 12,029,000 (31 December 2018: 12,029,000) shares being held as treasury shares.

The Company has no subsidiary holdings as at 31 March 2019 and 31 December 2018.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company's total issued shares excluding treasury shares is 713,726,013 as at 31 March 2019 (31 December 2018: 713,726,013).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The movement of treasury shares are as follows:

As at 1 January 2019	: 12,029,000 shares
Purchase of treasury shares during the period	: Nil
As at 31 March 2019	: 12,029,000 shares

- 1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

The Company has no subsidiary holdings as at 31 March 2019 and 31 December 2018. There was no sales, transfers, cancellation and/or use of subsidiary holdings for the period January to March 2019.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial statements for the periods under review have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial reporting period as those applied in the audited financial statements for the year ended 31 December 2018, except as disclosed in Note 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

On 1 January 2019, the Group and the Company adopted all new and revised SFRS(I)s and INT SFRS(I)s that are relevant to its operations and are effective for annual periods beginning on or after 1 January 2019.

The adoption of new/revised SFRS(I)s and INT SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

a) Application of SFRS(I) 16 Leases

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 has adopted 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. The Group has measured the right-of-use asset at 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.

In addition, the Group elected 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

On the adoption of SFRS(I) 16, the Group recognised 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.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	1Q 2019	1Q 2018
Loss attributable to equity holders of the Company (US\$'000)	(4,274)	(12,801)
Weighted average ordinary shares for calculation ('000):		
- applicable to basic earnings per share	713,726	713,512
- based on a fully diluted basis	713,726	713,512
Loss per ordinary share ("EPS") (US cents)		
(a) Based on weighted average number of ordinary shares on issue	(0.6)	(1.8)
(b) On a fully diluted basis	(0.6)	(1.8)

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

	Group		Company	
	As at 31 Mar 19	As at 31 Dec 18	As at 31 Mar 19	As at 31 Dec 18
Net asset value (US\$'000)	(146,571)	(141,802)	(142,575)	(145,209)
Total number of ordinary shares issued ('000)	713,726	713,726	713,726	713,726
Net asset value per ordinary share (US cents)	(20.5)	(19.9)	(20.0)	(20.3)

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**

- (a) **any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) **any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

REVIEW OF GROUP PERFORMANCE

3 months ended 31 March 2019 ("1Q 2019") vs 3 months ended 31 March 2018 ("1Q 2018")

Revenue

Revenue increased by approximately US\$4.1 million or 35% from US\$11.8 million in 1Q 2018 to US\$15.9 million in 1Q 2019.

The increase was attributed mainly to the increase in revenue from the Offshore Support Services Business of US\$3.0m or 33% from US\$8.9 million in 1Q 2018 to US\$11.9 million in 1Q 2019. Revenue from the Subsea Business increased by US\$0.5 million or 28% from US\$2.1 million in 1Q 2018 to US\$2.6 million in 1Q 2019. The increase in revenue from Offshore Subsea Services Business and Subsea Business is due to higher utilisation of vessels.

Revenue from the Shipyard Business also increased by US\$0.6 million from US\$0.8 million in 1Q 2018 to US\$1.4 million in 1Q 2019 due to higher completion of ship repair works.

Gross profit

1Q 2019 registered gross profit of US\$3.2 million compared to gross loss of US\$3.3 million in 1Q 2018.

The overall improvement was attributed mainly to improved performances from all three businesses.

Other operating income

Other operating income increased by approximately US\$13.8 million from US\$1.1 million in 1Q 2018 to US\$14.9 million in 1Q 2019.

The increase was mainly attributable to gain on debt forgiveness of bank loan of US\$14.3 million, partially offset by lower interest income of US\$0.6 million in 1Q 2019.

REVIEW OF GROUP PERFORMANCE (CONT'D)

3 months ended 31 March 2019 ("1Q 2019") vs 3 months ended 31 March 2018 ("1Q 2018") (Cont'd)

General and administrative expenses

General and administrative expenses increased by approximately US\$0.5 million or 15% from US\$3.9 million in 1Q 2018 to US\$4.4 million in 1Q 2019 mainly due to the Group's restructuring expenses.

Other operating expenses

Other operating expenses increased by approximately US\$10.1 million from US\$0.8 million in 1Q 2018 to US\$10.9 million in 1Q 2019. The increase was mainly due to US\$10.4 million loss on disposal of asset held for sale.

Finance costs

Finance cost increased by approximately US\$0.3 million or 5% from US\$5.4 million in 1Q 2018 to US\$5.7 million in 1Q 2019.

The increase in finance costs for both periods was in line with the increase in interest rates, partially offset by a decrease in bank loans outstanding from US\$453.5 million as at 31 March 2018 to US\$422.3 million as at 31 March 2019.

Share of results of joint ventures

Share of results of joint ventures decreased by approximately US\$0.4 million or 80% from US\$0.5 million in 1Q 2018 to US\$0.1 million in 1Q 2019 as the Group capped its share of losses up to the Group's interest in the joint ventures.

Share of results of associates

Share of results of associates was nil in 1Q 2019 compared to share of losses of US\$1.0 million in 1Q 2018 as the Group capped its share of losses up to the Group's interest in the associates.

Taxation

Tax expense decreased by approximately US\$0.1 million or 13% from US\$0.3 million in 1Q 2018 to US\$0.2 million in 1Q 2019. The decrease in tax expense was due to lower deferred tax expense for 1Q 2019.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets amounted to US\$355.3 million as at 31 March 2019. The increase in non-current assets from US\$343.2 million as at 31 December 2018 was mainly due to:

- (i) the recognition of right-of-use assets of US\$8.6 million; and
- (ii) the increase in amounts due from related companies of US\$6.0 million

This was partially offset by the decrease in property, plant and equipment of US\$2.6 million primarily due to depreciation.

REVIEW OF STATEMENT OF FINANCIAL POSITION (CONT'D)

Current assets

The Group's current assets amounted to US\$101.6 million as at 31 March 2019. The decrease in current assets from US\$125.5 million as at 31 December 2018 was mainly due to:

- (i) the decrease in assets held for sale of US\$18.9 million due to sale of an asset;
- (ii) the decrease in cash and bank balances of US\$6.4 million;
- (iii) the decrease in amounts due from related companies of US\$3.4 million; and
- (iv) the decrease in inventories of US\$0.1 million.

This was partially offset by the increase in trade receivables by US\$3.8 million and increase in other receivables by US\$1.1 million.

Current liabilities

The Group's current liabilities amounted to US\$595.7 million as at 31 March 2019. The decrease in current liabilities from US\$612.3 million as at 31 December 2018 was attributed mainly to:

- (i) the decrease in current bank loans of US\$20.7 million;
- (ii) the decrease in amounts due to related companies of US\$0.7 million; and
- (iii) the decrease in trade payables of US\$0.2 million.

This was partially offset by:

- (iv) the increase in other liabilities of US\$4.1 million mainly due to interest accrual;
- (v) the increase in notes payable of US\$0.7 million due to foreign exchange movement; and
- (vi) the increase in lease liabilities by US\$0.3 million.

The Group is in negative working capital position of US\$494.2 million as at 31 March 2019. The Group is in the process of restructuring its debt obligations, please refer to Note 10 for more information.

Non-current liabilities

The Group's non-current liabilities amounted to US\$23.2 million as at 31 March 2019. Non-current liabilities increased from US\$15.0 million as at 31 December 2018 primarily due to increase in lease liabilities of US\$8.2 million, in line with the recognition of right-of-use assets.

REVIEW OF CASH FLOWS

In 1Q 2019, the Group generated net cash outflows of US\$5.9 million.

Net cash outflow from operating activities was US\$6.5 million, which was mainly due to:-

- (i) net working capital outflow of US\$7.9 million; and
- (ii) net interest and taxes paid of US\$1.7 million.

This was partially offset by:

- (iii) net operating profit that resulted in cash inflow from operating activities before working capital changes of US\$3.0 million.

REVIEW OF CASH FLOWS (Cont'd)

Net cash inflow from investing activities was US\$7.5 million, which was mainly due to:-

- (i) proceeds from sale of assets held for sale of US\$8.5 million.

This was partially offset by:

- (ii) purchase of property, plant and equipment of US\$1.0 million.

Net cash outflow from financing activities was US\$6.8 million, which was mainly due to repayment of bank loans of US\$7.4 million, partially offset by the release of US\$0.6 million pledged cash.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group turned in a stronger quarter-on-quarter performance for 1Q2019 attributed mainly to improvement in vessel utilization. However, charter rates remained subdued as vessel oversupply continue to persist.

On 20 December 2018, the Group announced its plan to acquire a target company (the "Target Company") that owns vessels and logistics services business worth approximately US\$180 million (the "Acquisition"). The Acquisition is on track and the Group has undertaken due diligence on the Target Company. The Group is also in discussion with potential investors to provide debt financing (the "New Debt") and has received indicative proposals to this end. Further, the Group intends undertake new share issuance to raise equity funds ("New Equity").

The New Debt and New Equity will be used to finance the Acquisition, repay existing indebtedness, including the bank debt of the Group, and for general corporate and working capital purposes. The terms of the consent solicitation exercise in relation to the S\$100 million notes issued by the Company remain unchanged.

Discussions with relevant parties are ongoing and the Group targets to complete these exercises by end of FY2019. To allow time for the Group to complete the aforesaid exercises, the High Court of the Republic of Singapore has granted the Company and certain other entities of the Group moratoria under section 211(B)(1) of the Companies Act to 11 July 2019. The Group intends to seek further extension of the moratoria at the next hearing on 11 July 2019, if necessary.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend was recommended as the Group is in a net loss position and in the midst of a restructuring exercise.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Not applicable as the Group has not obtained a general mandate from shareholders for Interested Party Transactions ("IPTs").

14. Confirmation of Directors and Executive Officers' undertakings pursuant to Listing Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

15. Confirmation by the Board pursuant to SGX Listing Rule 705(5)

The Board hereby confirms to the best of its knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the three months ended 31 March 2019 to be false or misleading in any material respect.

On behalf of the Board of Directors

Pang Yoke Min
Executive Chairman

Mok Weng Vai
Executive Director

13 May 2019