



**PACIFIC RADIANCE LTD**  
**Company Registration No. 200609894C**

**Unaudited Second Quarter ("2Q 2019") Financial Statement and Dividend Announcement**  
**For the Six Months Ended 30 June 2019 ("6M 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			Group		
	2Q 2019	2Q 2018	+/(-) %	6M 2019	6M 2018	+/(-) %
	US\$'000	US\$'000		US\$'000	US\$'000	
<b>Revenue</b>	20,117	15,552	29	36,065	27,336	32
Cost of sales	(15,632)	(16,283)	(4)	(28,406)	(31,371)	(9)
<b>Gross profit</b>	4,485	(731)	NM	7,659	(4,035)	NM
Other operating income	263	3,453	(92)	15,132	4,386	NM
General and administrative expenses	(5,632)	(3,710)	52	(10,069)	(7,577)	33
Other operating expenses	(5,868)	(168)	NM	(16,784)	(825)	NM
Finance costs	(5,560)	(5,654)	(2)	(11,243)	(11,091)	1
Share of results of joint ventures	363	349	4	458	823	(44)
Share of results of associates	–	(581)	NM	–	(1,603)	NM
<b>Loss before taxation</b>	(11,949)	(7,042)	70	(14,847)	(19,922)	(25)
Taxation	(238)	(425)	(44)	(459)	(678)	(32)
<b>Loss for the period</b>	(12,187)	(7,467)	63	(15,306)	(20,600)	(26)
<b>Other comprehensive income:</b>						
<u>Items that may be reclassified</u> <u>subsequently to profit or loss:</u>						
Foreign currency translation	72	931	(92)	(404)	487	NM
Net fair value changes on cash flow hedges	–	(199)	NM	–	(75)	NM
Share of other comprehensive income of an associate or a joint venture	–	(1)	NM	–	(265)	NM
<b>Other comprehensive income for the period, net of tax</b>	72	731	(90)	(404)	147	NM
<b>Total comprehensive income for the period</b>	(12,115)	(6,736)	80	(15,710)	(20,453)	(23)
<b>Loss for the period attributable to:</b>						
Equity holders of the Company	(12,072)	(7,001)	72	(16,346)	(19,802)	(17)
Non-controlling interests	(115)	(466)	(75)	1,040	(798)	NM
	(12,187)	(7,467)	63	(15,306)	(20,600)	(26)
<b>Total comprehensive income for the period attributable to:</b>						
Equity holders of the Company	(12,000)	(6,275)	91	(16,750)	(19,656)	(15)
Non-controlling interests	(115)	(461)	(75)	1,040	(797)	NM
	(12,115)	(6,736)	80	(15,710)	(20,453)	(23)

NM: Not Meaningful

**1(a)(ii) Items, if significant must be included in the income statement**

**Loss for the period was stated after charging/(crediting) the following:**

	<b>Group</b>		<b>Group</b>	
	<b>2Q 2019</b>	<b>2Q 2018</b>	<b>6M 2019</b>	<b>6M 2018</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation of property, plant and equipment (included in cost of sales)	3,873	4,338	7,735	8,799
Depreciation of property, plant and equipment (included in general and administrative expenses)	197	229	397	461
Impairment of doubtful receivables, net	166	109	139	957
Impairment/(writeback) of amounts due from related companies	617	62	522	(523)
Loss/(gain) on sale of property, plant and equipment, net	769	(17)	769	(29)
Loss/(gain) on disposal of assets held for sale	4,309	–	14,754	(4)
Gain on termination of shipbuilding contract, net	–	(1,190)	–	(1,190)
Gain on termination of vessel lease contract, net	–	(1,248)	–	(1,248)
Gain on debt forgiveness of bank loan	–	–	(14,256)	–
Net fair value loss/(gain) on derivatives	–	(18)	29	(90)
Exchange loss/(gain)	7	(139)	570	384
Interest income	(138)	(592)	(458)	(1,469)
Net fair value (gain)/loss on held for trading investment securities	(5)	(3)	(5)	7
Realisation of deferred gain on sale of vessels to associates (included in share of results of associates)	–	(42)	–	(83)

**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 30 Jun 2019 US\$'000	As at 31 Dec 2018 US\$'000	As at 30 Jun 2019 US\$'000	As at 31 Dec 2018 US\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	277,210	284,349	–	–
Right-of-use assets	8,452	–	–	–
Investment in subsidiaries	–	–	5	5
Investment in associates	–	–	–	–
Investment in joint ventures	6,896	6,438	–	–
Club memberships	156	156	–	–
Amounts due from related companies	60,571	52,172	–	–
Derivatives	–	118	–	–
	353,285	343,233	5	5
<b>Current assets</b>				
Inventories	515	402	–	–
Trade receivables	25,077	17,683	–	–
Other receivables	4,526	4,016	21	37
Amounts due from related companies	36,132	39,677	144,794	141,448
Investment securities	43	39	–	–
Derivatives	–	17	–	–
Assets held for sale	4,950	32,954	–	–
Cash and bank balances	20,779	30,731	601	613
	92,022	125,519	145,416	142,098
<b>Total assets</b>	<b>445,307</b>	<b>468,752</b>	<b>145,421</b>	<b>142,103</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	13,673	15,717	–	–
Other liabilities	80,802	69,724	11,629	9,342
Amounts due to related companies	8,144	8,437	204,126	204,620
Bank loans	417,673	443,021	–	–
Notes payable	73,890	73,350	73,890	73,350
Provision for taxation	1,226	1,446	–	–
Finance lease obligations	654	575	–	–
Lease liabilities	317	–	–	–
	596,379	612,270	289,645	287,312
<b>Non-current liabilities</b>				
Other liabilities	11,717	11,717	–	–
Provisions	240	238	–	–
Deferred tax liabilities	3,017	2,920	–	–
Finance lease obligations	4	89	–	–
Lease liabilities	8,158	–	–	–
	23,136	14,964	–	–
<b>Total liabilities</b>	<b>619,515</b>	<b>627,234</b>	<b>289,645</b>	<b>287,312</b>
<b>Net liabilities</b>	<b>(174,208)</b>	<b>(158,482)</b>	<b>(144,224)</b>	<b>(145,209)</b>

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 30 Jun 2019 US\$'000	As at 31 Dec 2018 US\$'000	As at 30 Jun 2019 US\$'000	As at 31 Dec 2018 US\$'000
<b>Equity attributable to equity holders of the Company</b>				
Share capital	162,854	162,854	162,854	162,854
Treasury shares	(2,485)	(2,485)	(2,485)	(2,485)
Accumulated losses	(314,754)	(298,408)	(304,760)	(305,761)
Other reserves	(4,183)	(3,763)	167	183
	(158,568)	(141,802)	(144,224)	(145,209)
Non-controlling interests	(15,640)	(16,680)	–	–
<b>Total equity</b>	<b>(174,208)</b>	<b>(158,482)</b>	<b>(144,224)</b>	<b>(145,209)</b>

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

**Amount repayable in one year or less, or on demand**

<b>Group</b> <b>As at 30 Jun 2019</b>		<b>Group</b> <b>As at 31 Dec 2018</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
US\$'000	US\$'000	US\$'000	US\$'000
418,327	73,890	443,596	73,350

**Amount repayable after one year**

<b>Group</b> <b>As at 30 Jun 2019</b>		<b>Group</b> <b>As at 31 Dec 2018</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
US\$'000	US\$'000	US\$'000	US\$'000
4	–	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\$217.4 million and US\$221.2 million as at 30 June 2019 and 31 December 2018 respectively;
- first legal mortgages over assets held for sale of the Group, with net book value of US\$5.0 million and US\$33.0 million as at 30 June 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\$45.1 million and US\$46.1 million as at 30 June 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 30 June 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 the 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	
	2Q 2019 US\$'000	2Q 2018 US\$'000
<b>Cash flows from operating activities:</b>		
Loss before taxation	(11,949)	(7,042)
Adjustments for:		
Depreciation of property, plant and equipment	4,070	4,567
Finance costs	5,560	5,654
Interest income	(138)	(592)
Share of results of joint ventures	(363)	(349)
Share of results of associates	–	581
Loss/(gain) on sale of property, plant and equipment, net	769	(17)
Loss on disposal of assets held for sale	4,309	–
Impairment of doubtful receivables, net	166	109
Impairment of impairment of amounts due from related companies, net	617	62
Net gain on termination of shipbuilding contract	–	(1,190)
Net gain on termination of vessel lease contract	–	(1,248)
Net fair value gain on derivatives	–	(18)
Net fair value gain on held for trading investment securities	(5)	(3)
Share-based payment expense	3	31
Exchange difference	(113)	143
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<b>Operating cash flows before changes in working capital</b>	2,926	688
Increase in trade and other receivables	(3,366)	(735)
Increase in amounts due from/to related companies	(2,166)	(918)
Increase in inventories	(211)	(851)
Increase in trade payables and other liabilities	14	74
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<b>Cash used in operations</b>	(2,803)	(1,742)
Taxes paid	(309)	(397)
Interest paid	(10)	(362)
Interest received	396	23
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<b>Net cash flows used in operating activities</b>	(2,726)	(2,478)
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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 (cont'd).

	Group	
	2Q 2019 US\$'000	2Q 2018 US\$'000
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(1,233)	–
Proceeds from sale of property, plant and equipment	200	220
Proceeds from sale of assets held for sale	4,750	–
<b>Net cash flows generated from investing activities</b>	3,717	220
<b>Cash flows from financing activities:</b>		
Repayment of finance lease obligations	(6)	(6)
Repayment of principal portion of lease liabilities	(13)	–
Repayment of bank loans	(4,470)	(218)
Cash and bank balances (pledged)/released as securities	(8)	147
<b>Net cash flows used in financing activities</b>	(4,497)	(77)
Net decrease in cash and bank balances	(3,506)	(2,335)
Effect of exchange rate changes on cash and bank balances	(10)	(90)
Cash and bank balances at beginning of the period	21,446	28,518
<b>Cash and bank balances at end of the period</b>	17,930	26,093
<b>Breakdown of cash and bank balances at end of the period:</b>		
Cash and bank balances as per balance sheet	20,779	31,115
Cash pledged	(2,849)	(5,022)
	17,930	26,093

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
<b>The Group</b>												
Balance at 1 April 2019	162,854	(2,485)	(302,682)	(4,258)	(1,484)	194	114	127	(3,209)	(146,571)	(15,525)	(162,096)
Loss for the period	-	-	(12,072)	-	-	-	-	-	-	(12,072)	(115)	(12,187)
<u>Other comprehensive income</u>												
- Foreign currency translation	-	-	-	72	72	-	-	-	-	72	-	72
Total comprehensive income for the period	-	-	(12,072)	72	72	-	-	-	-	(12,000)	(115)	(12,115)
<u>Contributions by and distributions to equity holders</u>												
- Grant of equity-settled share performance awards to employees	-	-	-	3	-	3	-	-	-	3	-	3
Total contributions by and distributions to equity holders	-	-	-	3	-	3	-	-	-	3	-	3
Balance at 30 June 2019	162,854	(2,485)	(314,754)	(4,183)	(1,412)	197	114	127	(3,209)	(158,568)	(15,640)	(174,208)



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
<b><u>The Group</u></b>												
Balance at 1 April 2018 (restated)	162,854	(2,530)	(211,812)	(4,591)	(1,867)	262	119	74	(3,179)	(56,079)	(15,171)	(71,250)
Loss for the period	–	–	(7,001)	–	–	–	–	–	–	(7,001)	(466)	(7,467)
<u>Other comprehensive income</u>												
- Foreign currency translation	–	–	–	926	926	–	–	–	–	926	5	931
- Net fair value changes on cash flow hedges	–	–	–	(199)	–	–	(199)	–	–	(199)	–	(199)
- Share of other comprehensive income of a joint venture	–	–	–	(1)	–	–	(1)	–	–	(1)	–	(1)
Total comprehensive income for the period	–	–	(7,001)	726	926	–	(200)	–	–	(6,275)	(461)	(6,736)
<u>Contributions by and distributions to equity holders</u>												
- Grant of equity-settled share performance awards to employees	–	–	–	31	–	31	–	–	–	31	–	31
Total contributions by and distributions to equity holders	–	–	–	31	–	31	–	–	–	31	–	31
Balance at 30 June 2018	162,854	(2,530)	(218,813)	(3,834)	(941)	293	(81)	74	(3,179)	(62,323)	(15,632)	(77,955)

**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	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
<b>The Company</b>								
Balance at 1 April 2019	162,854	(2,485)	(303,108)	164	194	–	(30)	(142,575)
Loss for the period	–	–	(1,652)	–	–	–	–	(1,652)
Total comprehensive income for the period	–	–	(1,652)	–	–	–	–	(1,652)
<u>Contributions by and distributions to equity holders:</u>								
- Grant of equity-settled performance share awards to employees	–	–	–	3	3	–	–	3
Total contributions by and distributions to equity holders	–	–	–	3	3	–	–	3
Balance at 30 June 2019	162,854	(2,485)	(304,760)	167	197	–	(30)	(144,224)
Balance at 1 April 2018	162,854	(2,530)	(238,109)	428	262	166	–	(77,357)
Profit for the period	–	–	6,187	–	–	–	–	6,187
<u>Other comprehensive income:</u>								
- Net fair value changes on cash flow hedges	–	–	–	(199)	–	(199)	–	(199)
Total comprehensive income for the period	–	–	6,187	(199)	–	(199)	–	5,988
<u>Contributions by and distributions to equity holders:</u>								
- Grant of equity-settled performance share awards to employees	–	–	–	31	31	–	–	31
Total contributions by and distributions to equity holders	–	–	–	31	31	–	–	31
Balance at 30 Jun 2018	162,854	(2,530)	(231,922)	260	293	(33)	–	(71,338)

- 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.**

In view of the debt restructuring, the Company did not renew 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) at the last Annual General Meeting on 26 April 2019. The Company has not bought back any ordinary shares during the second quarter of 2019.

As at 30 June 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) ordinary shares being held as treasury shares.

The Company has no subsidiary holdings as at 30 June 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 30 June 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 year	: Nil
As at 30 June 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 30 June 2019 and 31 December 2018. There was no sales, transfers, cancellation and/or use of subsidiary holdings for the period January to June 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	
	6M 2019	6M 2018
Loss attributable to equity holders of the Company (US\$'000)	(16,346)	(19,802)
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
Earnings per ordinary share ("EPS") (US cents)		
(a) Based on weighted average number of ordinary shares on issue	(2.3)	(2.8)
(b) On a fully diluted basis	(2.3)	(2.8)

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.**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30 Jun 19</b>	<b>As at 31 Dec 18</b>	<b>As at 30 Jun 19</b>	<b>As at 31 Dec 18</b>
Net asset value (US\$'000)	(158,568)	(141,802)	(144,224)	(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)	(22.2)	(19.9)	(20.2)	(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**

### **Revenue**

#### **6 months ended 30 June 2019 ("6M 2019") vs 6 months ended 30 June 2018 ("6M 2018")**

Revenue increased by approximately US\$8.8 million or 32% from US\$27.3 million for 6M 2018 to US\$36.1 million for 6M 2019.

The increase was attributed mainly to the increase in revenue from the Subsea Business of US\$4.5 million or 95% from US\$4.8 million for 6M 2018 to US\$9.3 million for 6M 2019. Revenue from the Offshore Support Services Business increased by US\$4.1 million or 20% from US\$20.3 million for 6M 2018 to US\$24.3 million for 6M 2019. The increase in revenue from Subsea Business and Offshore Support Services Business is due to higher utilisation of vessels.

Revenue from the Shipyard Business increased by US\$0.2 million or 6% from US\$2.2 million for 6M 2018 to US\$2.4 million for 6M 2019 due to higher completion of ship repair works.

#### **3 months ended 30 June 2019 ("2Q 2019") vs 3 months ended 30 June 2018 ("2Q 2018")**

Revenue increased by approximately US\$4.5 million or 29% from US\$15.6 million for 2Q 2018 to US\$20.1 million for 2Q 2019.

The increase was attributed mainly to the increase in revenue from the Subsea Business of US\$4.0 million from US\$2.7 million for 2Q 2018 to US\$6.7 million for 2Q 2019. Revenue from the Offshore Support Services Business increased by US\$1.0 million or 9% from US\$11.4 million for 2Q 2018 to US\$12.4 million for 2Q 2019. The increase in revenue from Subsea Business and Offshore Support Services Business is due to higher utilisation of vessels.

This was partially offset by a decrease in revenue from the Shipyard Business of US\$0.5 million or 33% from US\$1.4 million for 2Q 2018 to US\$0.9 million for 2Q 2019 due to lower completion of ship repair works.

## **REVIEW OF GROUP PERFORMANCE (CONT'D)**

### **Gross profit**

#### **6 months ended 30 June 2019 ("6M 2019") vs 6 months ended 30 June 2018 ("6M 2018")**

Gross profit of US\$7.7 million was recorded for 6M 2019 compared to gross loss of US\$4.0 million for 6M 2018.

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

#### **3 months ended 30 June 2019 ("2Q 2019") vs 3 months ended 30 June 2018 ("2Q 2018")**

Gross profit of US\$4.5 million was recorded for 2Q 2019 compared to gross loss of US\$0.7 million for 2Q 2018.

The overall improvement in gross profit was mainly attributable to improved performances from the Offshore Support Services and Subsea Businesses and partially offset by weaker performance from the Shipyard Business.

### **Other operating income**

#### **6 months ended 30 June 2019 ("6M 2019") vs 6 months ended 30 June 2018 ("6M 2018")**

Other operating income increased by approximately US\$10.7 million from US\$4.4 million for 6M 2018 to US\$15.1 million for 6M 2019.

The increase was mainly attributable to gain on debt forgiveness of bank loan of US\$14.3 million recorded for 6M 2019.

#### **3 months ended 30 June 2019 ("2Q 2019") vs 3 months ended 30 June 2018 ("2Q 2018")**

Other operating income decreased by approximately US\$3.2 million or 92% from US\$3.5 million for 2Q 2018 to US\$0.3 million for 2Q 2019.

The decrease was mainly attributable to lower interest income of US\$0.5 million for 2Q 2019 and the absence of gain on termination of shipbuilding contract of US\$1.2 million and gain on termination of vessel lease contract of US\$1.2 million recorded in 2Q 2018.

### **General and administrative expenses**

#### **6 months ended 30 June 2019 ("6M 2019") vs 6 months ended 30 June 2018 ("6M 2018")**

#### **3 months ended 30 June 2019 ("2Q 2019") vs 3 months ended 30 June 2018 ("2Q 2018")**

General and administrative expenses increased by approximately US\$2.5 million or 33% from US\$7.6 million for 6M 2018 to US\$10.1 million for 6M 2019.

General and administrative expenses increased by approximately US\$1.9 million or 52% from US\$3.7 million for 2Q 2018 to US\$5.6 million for 2Q 2019.

The increase in general and administrative expenses for both periods was mainly due to the Group's restructuring expenses.

## **REVIEW OF GROUP PERFORMANCE (CONT'D)**

### **Other operating expenses**

#### **6 months ended 30 June 2019 ("6M 2019") vs 6 months ended 30 June 2018 ("6M 2018")**

Other operating expenses increased by approximately US\$16.0 million from US\$0.8 million for 6M 2018 to US\$16.8 million for 6M 2019.

The increase was mainly due to loss on disposal of vessels of US\$15.5 million recorded in 6M 2019. There was also higher foreign exchange loss of US\$0.2 million and higher impairment of doubtful receivables of US\$0.2 million from US\$0.4 million for 6M 2018 to US\$0.6 million for 6M 2019.

#### **3 months ended 30 June 2019 ("2Q 2019") vs 3 months ended 30 June 2018 ("2Q 2018")**

Other operating expenses increased by approximately US\$5.7 million from US\$0.2 million for 2Q 2018 to US\$5.9 million for 2Q 2019.

The increase was mainly due to loss on disposal of vessels of US\$5.1 million in 2Q 2019 and higher impairment of doubtful receivables of US\$0.6 million from US\$0.2 million for 2Q 2018 to US\$0.8 million for 2Q 2019.

### **Finance costs**

#### **6 months ended 30 June 2019 ("6M 2019") vs 6 months ended 30 June 2018 ("6M 2018")**

#### **3 months ended 30 June 2019 ("2Q 2019") vs 3 months ended 30 June 2018 ("2Q 2018")**

Finance costs increased by approximately US\$0.1 million or 1% from US\$11.1 million for 6M 2018 to US\$11.2 million for 6M 2019.

Finance costs remained the same at US\$5.6 million for both 2Q 2018 and 2Q 2019.

The increase in finance costs for 6M 2019 was in line with an increase in interest rates, partially offset by a decrease in bank loans outstanding from US\$450.2 million as at 30 June 2018 to US\$417.7 million as at 30 June 2019.

### **Share of results of joint ventures**

#### **6 months ended 30 June 2019 ("6M 2019") vs 6 months ended 30 June 2018 ("6M 2018")**

Share of results of joint ventures decreased by approximately US\$0.3 million or 44% from US\$0.8 million for 6M 2018 to US\$0.5 million for 6M 2019 as the Group recorded lower profit from the joint ventures.

#### **3 months ended 30 June 2019 ("2Q 2019") vs 3 months ended 30 June 2018 ("2Q 2018")**

Share of results of joint ventures increased by approximately US\$0.1 million or 4% from US\$0.3 million for 2Q 2018 to US\$0.4 million for 2Q 2019.

The increase was mainly attributable to improved performance from the joint ventures for 2Q 2019.

### **Share of results of associates**

#### **6 months ended 30 June 2019 ("6M 2019") vs 6 months ended 30 June 2018 ("6M 2018")**

#### **3 months ended 30 June 2019 ("2Q 2019") vs 3 months ended 30 June 2018 ("2Q 2018")**

Share of results of associates was nil for 6M 2019 compared to a loss of US\$1.6 million for 6M 2018.

Share of results of associates was nil for 2Q 2019 compared to a loss of US\$0.6 million for 2Q 2018.

There was no further share of losses of the associates as the Group capped its share of losses up to the Group's interest in the associates.

## **REVIEW OF GROUP PERFORMANCE (CONT'D)**

### **Taxation**

#### **6 months ended 30 June 2019 ("6M 2019") vs 6 months ended 30 June 2018 ("6M 2018")** **3 months ended 30 June 2019 ("2Q 2019") vs 3 months ended 30 June 2018 ("2Q 2018")**

Taxation expense decreased by US\$0.2 million or 32% from US\$0.7 million for 6M 2018 to US\$0.5 million for 6M 2019.

Taxation expense decreased by US\$0.2 million or 44% from US\$0.4 million for 2Q 2018 to US\$0.2 million for 2Q 2019.

The decrease for both periods was mainly due to lower deferred and withholding tax expenses.

## **REVIEW OF STATEMENT OF FINANCIAL POSITION**

### **Non-current assets**

The Group's non-current assets amounted to US\$353.3 million as at 30 June 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\$8.5 million;
- (ii) the increase in non-current portion of amounts due from related companies by US\$8.4 million; and
- (iii) the increase in investment in joint ventures by US\$0.5 million primarily due to the share of profits for the 6M 2019.

This was partially offset by the decrease in property, plant and equipment by US\$7.1 million primarily due to the sale of a vessel and depreciation.

### **Current assets**

The Group's current assets amounted to US\$92.0 million as at 30 June 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 by US\$28.0 million due to sale of assets;
- (ii) the decrease in cash and bank balances by US\$9.9 million; and
- (iii) the decrease in current portion of amounts due from related companies by US\$3.5 million.

This was partially offset by the increase in trade receivables by US\$7.4 million and increase in other receivables by US\$0.5 million.

### **Current liabilities**

The Group's current liabilities amounted to US\$596.4 million as at 30 June 2019. The decrease in current liabilities from US\$612.3 million as at 31 December 2018 was attributed mainly to:

- (i) the decrease in bank loans by US\$25.3 million;
- (ii) the decrease in trade payables by US\$2.0 million; and
- (iii) the decrease in amounts due to related companies by US\$0.3 million.

This was partially offset by:

- (iv) the increase in other liabilities by US\$11.1 million;
- (v) the increase in notes payable by US\$0.5 million due to foreign exchange movement; and
- (vi) the increase in lease liabilities by US\$0.3 million.



## **REVIEW OF STATEMENT OF FINANCIAL POSITION (CONT'D)**

The Group is in negative working capital position of US\$504.4 million as at 30 June 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\$23.1 million as at 30 June 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 2Q 2019, the Group generated net cash outflows of US\$3.5 million.

Net cash outflow from operating activities was US\$2.7 million, which was mainly due to net working capital outflow of US\$5.7 million.

This was partially offset by cash inflow from operating activities before working capital changes of US\$2.9 million and net interest and taxes received of US\$0.1 million.

Net cash inflow from investing activities was US\$3.7 million mainly due to proceeds of US\$5.0 million from sale of property, plant and equipment and assets held for sale. This was partially offset by purchase of property, plant and equipment of US\$1.2 million.

Net cash outflow from financing activities was US\$4.5 million, which was mainly due to repayment of bank loans.

**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 stronger revenue and gross profit for 2Q 2019 was mainly attributed to higher vessel utilisation. The Group continued to record a net loss in 2Q 2019 due to loss on sale of vessels and higher restructuring expenses. Notwithstanding the stronger performance at operating level, outlook for the next 12 months has become more uncertain due to heightening trade and geopolitical tensions. As a result, signs of global economic slowdown are mounting, increasing the prospect of weaker global oil demand.

Amidst these uncertainties, the Group continues to focus its efforts on improving its operating performance and carrying out its debt restructuring plan. 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 Group expects to conclude discussions and execute the sale and purchase agreement in relation to the Acquisition shortly. As part of the debt restructuring plan, the Group also announced on 13 May 2019 that it was in discussion with potential financiers to provide debt financing ("New Debt"). To this end, the selected financier has commenced due diligence on the Group and the Target Company and is expected to provide its commitment for the debt financing upon completion of the due diligence process. Further, the Group intends to undertake new share issuance to raise new 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 note issued by the Company remain unchanged.

To allow the Company time to implement and complete its debt restructuring plan, the High Court of the Republic of Singapore has granted the Company and certain other entities of the Group an extension of the existing moratoria to 5 September 2019.

**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/recommended, a statement to that effect.**

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

**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 six months ended 30 June 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 August 2019