Pacific Radiance

ANNUAL REPORT 2019

RADIATING STRENGTH

LEVERAGING CHALLENGES


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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, reliable in service delivery and execution, and responsive to industry trends in supporting the needs of clients spanning the entire oil and gas project life cycle.

Together with its associates and joint venture entities, the Group own about 100 vessels. This has given the Group a strong foothold across Asia, Middle East as well as across 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 markets protected by cabotage restrictions.

Established in 2006, Pacific Radiance is listed on the mainboard of the Singapore Exchange ("SGX") since 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.

CORPORATE MILESTONES

2002
Entered into the business of providing ship chartering services.

2006
Incorporated Pacific Radiance Ltd. ("Pacific Radiance" or the "Company", and collectively with its subsidiaries, the "Group") to advance its offshore support services business. Ended the year as the owner and operator of 9 vessels.

2007
Entered into project logistics with a minority stake in Consolidated Pipe Carriers Pte. Ltd., 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 Pte. Ltd. and investing in Fleetwinch Control Pte. Ltd.

2010
Invested in Malaysia, a cabotage-protected market with the largest offshore exploration & production ("E&P") spending in Asia, through a 49%-owned joint venture with Alam Maritim Resources Bhd in Alam Radiance (L).

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

2011
Moved into subsea inspection, repair and maintenance business with 2 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) Ltda, which will spearhead drive to grow its presence in South America.

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

2013
Successfully listed on the mainboard of SGX. Indonesian joint venture, PT Logindo Samudramakmur Tbk, 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 the 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 2014.

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

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

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

2017
Re-established presence in the Middle East.

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

2018
Obtained approval from noteholders for the restructuring of Pacific Radiance's S$100 million 4.3% notes due August 2018, subject to completion of the Group's debt restructuring.

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

Entered into a binding term sheet in relation to the proposed acquisition of Allianz Marine and Logistics Services Holdings Ltd.

2019
Executed the sale and purchase agreement in relation to the proposed acqusition of Allianz Marine and Logistics Services Holdings Ltd.

RADIATING STRENGTH

Standing the test of time and radiating strength in times of turmoil.

EXECUTIVE CHAIRMAN'S STATEMENT

"In the face of uncertainty brought about by COVID-19 pandemic, we are watchful of the downside risks to the business and are putting in place plans and measures to ensure that we stay the course and ride through this adversity."

DEAR SHAREHOLDERS,

REVIEW OF FY2019

We wrapped up the year 2019 with a set of results that is largely consistent with our expectations. During the year, Brent crude oil price traded between US$55 per barrel to US$70 per barrel against the backdrop of geopolitical and trade tensions. This provided some support for an increase in investment in brownfield projects to compensate for the natural depletion of producing wells, as well as the sanctioning of some new greenfield developments. As a result, demand for oil and gas services recovered gradually in 2019. The OSV industry benefitted from this development and vessel utilisation improved, with assets younger than 10 years showing a stronger recovery profile. However, a broad-based recovery in charter rates was not seen.

The Group managed to achieve vessel utilisation of 70% on average in 2019. This achievement was underpinned by the dedication of our employees who continue to put a strong focus on market development, operational excellence and service delivery to our customers despite challenging times. Pacific Radiance has built its reputation over the years as a quality operator and this has translated into contract wins from new and repeat customers.

For FY2019, the Group posted an improved revenue of US$74.8 million, up 23% year-on-year, and turned in a gross profit of US$15.2 million, compared to a gross loss of US$4.4 million for FY2018. On the bottom line, the Group narrowed its net loss by 18% year-on-year to US$83.4 million. Excluding asset impairment and non-recurring items, the adjusted EBITDA was positive at US$14.0 million.

LEVERAGING CHALLENGES

The OSV industry has witnessed a string of major restructuring and consolidation events amongst the industry players since the beginning of the downturn in late 2014, many are still grappling to lift themselves from the trough.

As part of the restructuring effort, the Company entered into a binding term sheet in relation to the proposed acquisition of the group of companies of Allianz Marine and Logistics Services Holding Ltd. ("AMLS" or the "Target Group") in December 2018. This would result in the business combination of the Pacific Radiance Group and the Target Group. The enlarged entity, with stronger market presence and combined management expertise, is central to the potential financiers' consideration to extend financing facilities to the Group. It would also generate a more broad-based investor interest given the expanded geographic footprint and stronger industry foothold.

In May 2019, the Company accepted a new debt financing proposal from a global investment firm (the "Financier") and moved forward to facilitate the due diligence on both the Pacific Radiance Group and the Target Group by the Financier over the course of the second half of 2019. It proceeded to execute the sale and purchase agreement for the proposed acquisition with AMLS in August 2019. At around the same time, it also proposed to raise new equity through placement to potential investors, who will include the existing shareholders of AMLS. The new debt financing and new equity will be used mainly to finance the proposed acquisition, repay existing indebtedness of the Group and complete the restructuring of the notes issued by the Company.

Discussions with the Financier on the new debt financing stalled around December 2019 as certain difficulties arose in the course of the discussions. In the circumstances, the Company promptly resumed its talks with other potential financiers who had previously expressed interest and provided indicative debt financing proposals to the Company in the course of 2019. One of the potential financiers, a global asset management firm (the "Second Financier"), showed keen interest and progressed to discuss the terms of debt financing with the Company.

LOOKING AHEAD

The primary challenge confronting the Group in its protracted restructuring journey has been the balancing act of meeting the competing interests of multiple stakeholder groups. This is now compounded by the outbreak of COVID-19 pandemic and the ongoing oil price war between Saudi Arabia and Russia. The uncertainties surrounding the impact of COVID-19 pandemic and the oil price war on the global economy and financial markets have hurt investor sentiment severely and heightened market volatility significantly. These factors have impacted considerations of the potential financiers, including the Second Financier. Notwithstanding, the Company remains fully committed to completing the restructuring of the Group and various restructuring options are currently being considered and discussed with the major creditors of the Group and potential financiers.

In the face of uncertainty brought about by COVID-19 pandemic and the oil price war, we are watchful of the downside risks to the business and are putting in place plans and measures to ensure that we stay the course and ride through this adversity.

CORPORATE GOVERNANCE

Pacific Radiance is committed to embracing the revised Code of Corporate Governance that was issued in August 2018. We have proactively taken steps to adopt certain aspects of the Code. Details of our corporate governance practices are shared in the Corporate Governance section of this Annual Report.

SUSTAINABILITY REPORTING

We remain steadfast in our commitment to sustainable business practices. As a responsible global corporate citizen, we continue to 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 are pleased to publish our FY2019 sustainability report which is prepared with reference to Global Reporting Initiative (GRI) standards and details our economic, social and environmental efforts and performance for the financial year.

NOTE OF APPRECIATION

In closing, I would like to thank my fellow members of the Board for their invaluable contributions and stewardship. I would also like to express my sincerest appreciation to Mr. Mok Weng Vai, Sunny, who left the Group in December 2019 after an illustrious thirteen-year tenure with the Pacific Radiance family. He has been instrumental to the early development and success of the Group. We wish him all the best in his future endeavours.

Following the departure of Mr. Mok, and in line with the Group's succession plan, we have announced the appointments of Mr. Pang Wei Kuan, James as Acting Chief Executive Officer and Mr. Pang Wei Meng as Acting Chief Commercial Officer. Mr. Lau Boon Hwee has been re-designated as Chief Technical Officer to commensurate with the expanded scope and responsibilities.

We count it as our good fortune to have an excellent team of people at Pacific Radiance. Without the dedication and commitment of our staff and management team, we would not have overcome the challenges in the past year.

Last but not least, I would also like to express my gratitude to our shareholders, noteholders and business partners for your patience. I look forward to your continuing support as we strive to turnaround the business.

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. PANG WEI MENG
Executive Director
Acting Chief Commercial Officer

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 26 April 2019. As the Acting Chief Commercial Officer, Mr. Pang heads the Group's Offshore Support Services and Subsea Business Divisions and oversees their 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
Chief Technical and Shipyard Officer

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 of 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.

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 26 April 2019. 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 Ltd. (formerly known as Global Yellow Pages Ltd.) 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 was appointed as the 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 veteran of the financial sector, he brings 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.

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 lead independent director and the chairman of the risk and audit committee of Serrano Ltd., which is listed on the Catalist Board of the SGX-ST.

BOARD OF DIRECTORS & EXECUTIVE OFFICERS

MR. PANG WEI KUAN, JAMES

Acting Chief Executive Officer

Mr. Pang Wei Kuan, James joined the Group in July 2011. As the Acting Chief Executive Officer, Mr. Pang leads the Group's marketing and business development teams, which are actively working to expand 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 the Chief Financial Officer. She oversees the Group's overall financial, accounting, taxation, corporate finance, treasury, legal and IT 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.

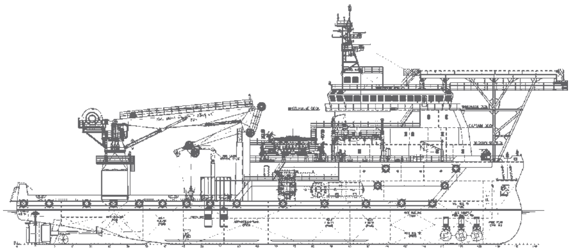
Ms. Chia holds a Master of Science (Applied Finance) from the National University of Singapore and a Bachelor of Accountancy from the Nanyang Technological University. She has also completed the Chartered Financial Analyst Program.

VESSEL PORTFOLIO

(Directly Owned Vessels As At 31 December 2019)

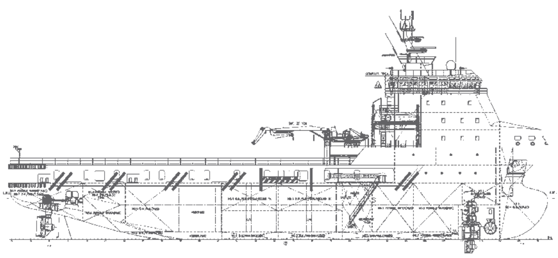
DIVING SUPPORT VESSELS

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

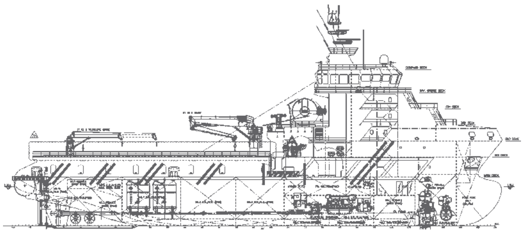


VESSEL PORTFOLIO

(Directly Owned Vessels As At 31 December 2019)

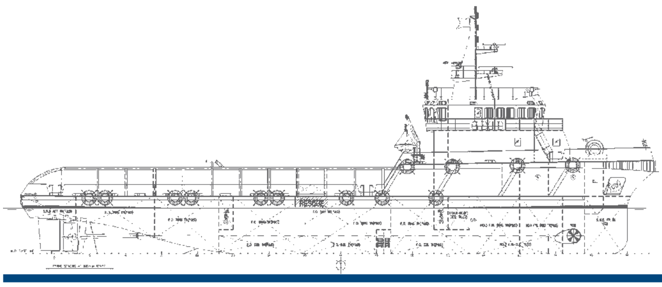
ANCHOR HANDLING TUG & SUPPLY VESSELS

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



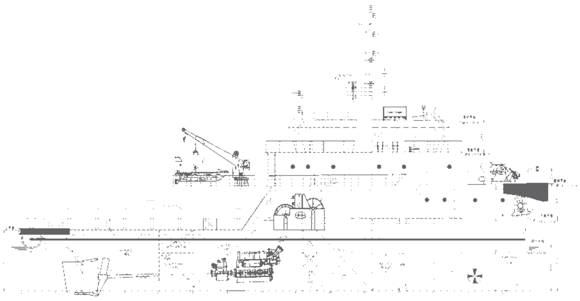
MULTI-PURPOSE SUPPORT VESSELS

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



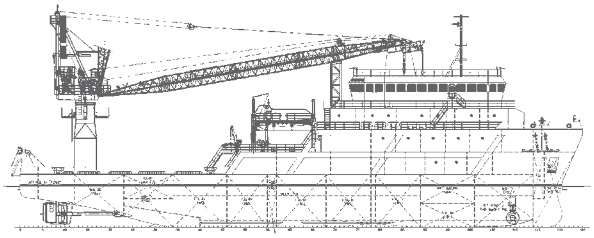
ANCHOR HANDLING TUGS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Spartan 1	Singapore	4,400 BHP	BV	2009
Crest Spartan 2	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

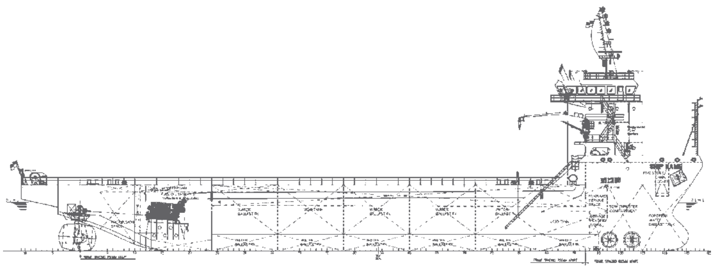


VESSEL PORTFOLIO

(Directly Owned Vessels As At 31 December 2019)

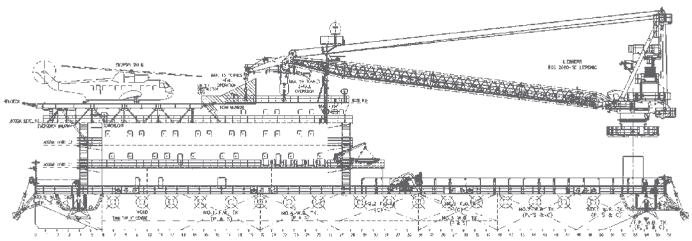
SPECIAL CARRIER VESSEL

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



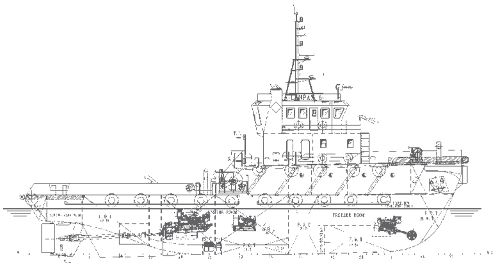
ACCOMMODATION WORK BARGES

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Support 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



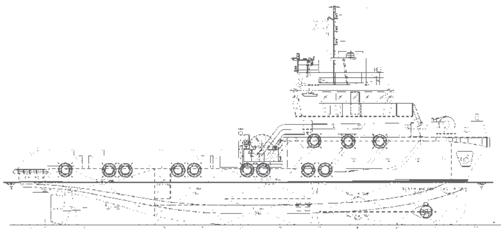
OCEAN TOWING TUGS

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



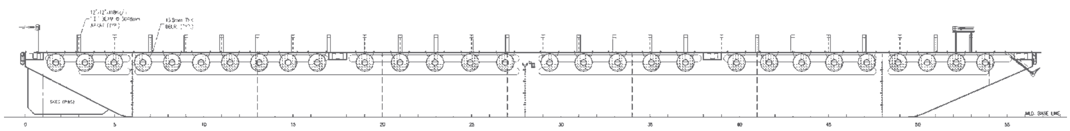
UTILITY SUPPLY VESSEL

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




PV DRILLING VI

LEVERAGING CHALLENGES

Seeing opportunity in every difficulty and leveraging each challenge to rise above the adversity.

FINANCIAL & OPERATIONS REVIEW

FINANCIAL REVIEW

The OSV sector saw a modest uptick in chartering activities in FY2019. During the year, Pacific Radiance remained focused on strengthening presence in key markets through progressive marketing and business development efforts and had reactivated majority of the Group's offshore vessels.

REVENUE AND PROFITABILITY

The Group reported a 23% increase in revenue to US$74.8 million in FY2019, mainly due to stronger performance in the Offshore Support Services and Subsea segments. Overall, the Group managed to turn in a gross profit of US$15.2 million, compared to a gross loss of US$4.4 million in FY2018. Net loss narrowed to US$83.4 million after taking into consideration asset impairment of US$54.0 million. Excluding asset impairment and non-recurring items, the adjusted EBITDA was positive at US$14.0 million.

General and administrative expense edged up 14% to US$17.5 million mainly due to restructuring expenses incurred during the financial year. As the restructuring progresses, the Group continues to remain tightfisted over the restructuring associated expenses.

SEGMENTAL PERFORMANCE

Despite competitive charter pricing, the Offshore Support Services business posted an increase of 22% in revenue to US$54.3 million whilst the Subsea business registered an increase of 52% to US$15.3 million, this was mainly driven by the higher vessel utilisation of the Group. Revenue from the Shipyard business decreased to US$5.1 million from US$6.2 million in FY2018 as a result of lower completion of ship repair works.

Geographically, Asia remains the main contributor comprising 82%, or US$61.1 million of the Group's revenue.

OPERATIONS REVIEW

Throughout the year in review, Pacific Radiance maintained its foothold in key regions including Asia, the Middle East and Mexico. In Asia, there have been increased activities particularly in Malaysia, Indonesia and Vietnam. The Group has deployed more vessels in this region, many with international and national oil companies as end clients.

In the Middle East, the Group is well-positioned to benefit from sizable investments in key markets like the United Arab Emirates and Saudi Arabia after having accumulated significant operating experience in the region. Our vessels working in this region supports the production campaign in the Arabian Gulf as well as provided towing, repair and maintenance, transportation and platform support services.

In Mexico, operating conditions throughout 2019 was softer as compared to the other regions. The opening up of Mexico's offshore energy prospects to international players have yielded exploratory success and attracted investments in offshore opportunities, but competition for charters were intense. Notwithstanding, numerous offshore drilling programs have been completed and several more are underway involving international oil companies, Pemex as well as joint ventures between Pemex and the international oil companies. We remain positive on the opportunities in this region.

Overall, the Group ended FY2019 with a utilisation of 70% for its fleet of vessels.

UPDATES ON RESTRUCTURING

During the year, the Group set out its restructuring roadmap as follows:

- the proposed acquisition by Pacific Radiance of the group of companies of Allianz Marine and Logistics Services Holdings Ltd. ("AMLS" or the "Target Group") from the shareholders of the Target Group (the "Vendors") (the " Proposed Acquisition") which will result in the business combination of the Pacific Radiance Group and the Target Group;
- the raising of new equity ("New Equity") through placement to equity investors, who will include the Vendors; and
- the provision by financiers of financing facilities of up to approximately US$180 million (the "New Debt").

The New Debt and the New Equity are contemplated to, *inter alia*, finance the Proposed Acquisition and be applied towards the settlement for all the debts and liabilities owing by the Group to its bank lenders, to complete the notes restructuring and for general corporate and working capital purposes.

PROPOSED ACQUISITION

On 22 August 2019, the Company executed the sale and purchase agreement ("SPA") in relation to the Proposed Acquisition of the entire issued and paid-up capital of the Target Group. The Proposed Acquisition would create meaningful synergies between the principal activities of the Group and AMLS, and enhance shareholder value due to, among other things, the provision of complementary services to our combined customer base and sharing of global marketing and sales channels, technologies and management expertise. The Proposed Acquisition is part of the Company's strategic move to generate renewed investor interest in the shares of the Company and is also aimed at expanding its business and strengthening its foothold globally.

NEW EQUITY

On 26 August 2019, the Company announced, *inter alia*, that as part of the proposed New Equity, it had entered into a subscription agreement with each of the Vendors (in their capacities as "Subscribers") pursuant to which the Subscribers will subscribe for, and the Company will allot and issue to the Subscribers, 21,165,095,400 new ordinary shares in the capital of the Company ("Subscription Shares") at the issue price of the Singapore equivalent of US$0.0085 for each Subscription Share (at such exchange rate to be agreed between the Company and the Subscribers), for an aggregate subscription consideration of US$180 million ("Equity Subscription").

FINANCIAL & OPERATIONS REVIEW

NEW DEBT

On 13 May 2019, the Company announced it was in discussions with potential debt financiers to provide debt financing and has received indicative proposals to this end. Shortly thereafter, the Company evaluated and accepted the proposal from the selected debt financier, one of the global investment firms based in US and Europe (the "Financier"). This was followed by due diligence on both the Pacific Radiance Group and the Target Group by the Financier over the course of the second half of 2019.

On 20 January 2020, the Company announced that discussions with the Financier on the New Debt have stalled due to certain difficulties that have arisen in the course of the discussions in or around December 2019. In the circumstances, the Company has approached other potential financiers from whom the Company had previously received indicative proposals in the course of 2019.

One of these potential debt financiers (the "Second Financier") has shown keen interest in extending debt financing to the Company. The Second Financier is a global asset management firm which has over US$100 billion of assets under management.

RESTRUCTURING OF NOTES

On 26 March 2020, the Company announced that in relation to the Notes, the redemption of the Notes will not take place on 31 March 2020, as the conditions for redemption, in particular the proposed scheme of arrangement being sanctioned by the High Court and the necessary shareholders' approval in relation to the restructuring of the Group, have not been fulfilled.

The Company also updated that discussions with major creditors and potential financiers on the debt restructuring of the Group are still ongoing. These discussions have become more protracted given the challenges posed by the outbreak of COVID-19 pandemic. The uncertainties surrounding the impact of the COVID-19 pandemic on the global economy and financial markets have hurt sentiment severely and heightened market volatility significantly. These factors have impacted the considerations of the potential financiers, including the Second Financier, in the debt restructuring discussions.

Notwithstanding, the Company remains fully committed to completing the debt restructuring and various restructuring options are currently being considered and discussed with major creditors and potential financiers.

EXTENSIONS OF MORATORIA

To facilitate the restructuring process, the moratoria for Pacific Radiance and its wholly-owned subsidiaries, Pacific Crest Pte. Ltd. and CSI Offshore Pte. Ltd. granted by the High Court of the Republic of Singapore pursuant to section 211B(1) of the Companies Act (Cap. 50) have been extended to 29 May 2020.

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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 ensures 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 FY2019 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 2019 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 process 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 an 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.

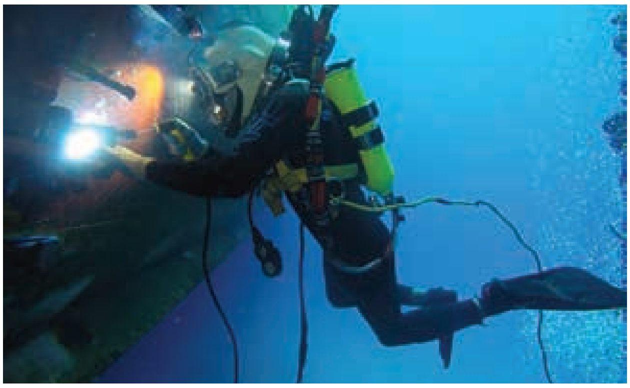
Our head office is situated in Singapore, supported by our associate offices in Mexico, Mozambique and Indonesia. Our market presence stretches from Asia to Middle East, Australia, Latin America and Africa.

OFFSHORE SUPPORT SERVICES

- Directly owns and operates over 30 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 GROUP	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.

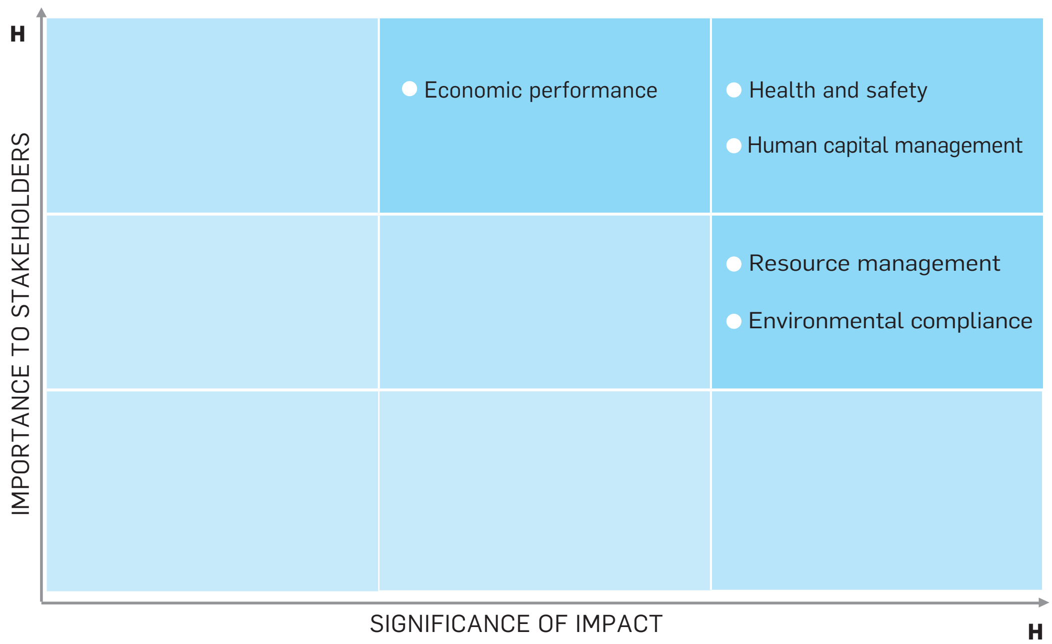
Sustainability is governed at the highest level by the Board, monitored by senior management through a sustainability work group and executed by respective departments on the ground.

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

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 accounts for nearly 2% of total global anthropogenic carbon dioxide emissions yearly, 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 focusing 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, 4 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

Our entire vessel fleet is outfitted with shipboard automation systems that enable continuous monitoring of parameters such as temperature, pressure, flow of cooling water, fuel oil, lube oil etc. These data provide critical 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

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

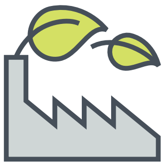
TOTAL ENERGY CONSUMPTION

Total electricity consumption:

1,358,895
kWh

Total marine diesel oil consumption:

41,286
tonnes



TOTAL GHG EMISSION

Scope 1:

132,361
TCO_2 eq.

Scope 2:

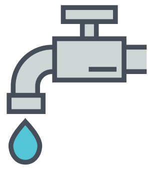
569
TCO_2 eq.

Total:

132,930
TCO_2 eq.

NOx: 2021
tonnes

SOx: 108
tonnes



TOTAL WATER CONSUMPTION

Total fresh water consumed by office premises and shipyard:

443 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%20Greenhouse%20Gas%20Study/GHG3%20Executive%20Summary%20and%20Report.pdf]
2. We provide almost 40% (918,428 kWh) of the total electricity supplied to us (2,277,323 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 0.4188 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 17,174 m^3 fresh water of our sites. Out of this, 8,111 m^3 was supplied to external vessels and 8,620 m^3 was reclaimed NEWater.

SUSTAINABILITY REPORT (ENVIRONMENT)

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.

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.

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.

CLIMATE CHANGE PLEDGE

On Earth Day 2019, we demonstrated our support for environmental protection by signing the Pacific Radiance Climate Change Pledge. The pledge underscores the Group's commitment to operating our business in a sustainable manner through actionable steps and goals in reducing carbon emissions, utility usage, and the push towards a greener and paperless office environment.

RECYCLING (OFFICE)

936kg
Paper

73kg
Glass

273kg
Plastic

352kg
Cans

70kg
Others

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 2019, 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.

In 2019, there was zero incident of oil spill.

LOOKING AHEAD

Maintain zero fines for non-compliance with environmental laws and 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

Pacific Radiance is a proud adopter of the Tripartite Standards, an initiative championed by the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) for organisations who want to distinguish themselves 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.

In 2019, we successfully rolled out the flexi-work program ahead of the planned timeline of 2021. The flexi-work program empowers our employees to manage their own work schedule and allowing the flexibility to better balance their family and personal commitments.

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.

7.7
average training hours/employee

1,058
Training Hours

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

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.

We have put in place a proactive talent attraction and staff retention measures. Our annual voluntary turnover rate in 2019 has come down significantly to 10.8%, from 22.1% in 2018, despite industry challenges. We will continue to fine tune our initiatives to position ourselves as an employer of choice.

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

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 2019, our crew completed 19,224 courses, the equivalent of 11,955 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.

Our crew participates in the Harm and Incident Prevention (HiP) program introduced in 2018, aimed 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.

LOOKING AHEAD

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

PERFORMANCE

NO. OF FATALITIES **0**	NO. OF LOST TIME INJURY ("LTI") **3**
NO. OF MEDICAL TREATMENT CASES ("MTC") **6**	NO. OF FIRST AID CASES ("FAC") **4**
NO. OF RESTRICTED WORK CASES ("RWC") **2**	LOST TIME INJURY FREQUENCY ("LTIF")[1] **0.7**
TOTAL RECORDABLE INCIDENT RATE ("TRIR")[2] **0.7**	TOTAL MAN HOURS **4,164,188**

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
3. QHSSE performance data includes PCPL, SMS, CrestSA and Logindo

SUSTAINABILITY REPORT *(COMMUNITY)*

ECONOMIC PERFORMANCE

Attaining strong economic performance and preserving value for our stakeholders remain as our primary concerns amidst challenging business environment. In 2019, the Group remains in a negative working capital position and is presently in advanced stage of restructuring its debt obligation.

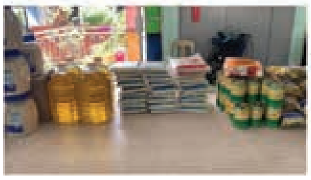
The Group is currently working towards restructuring substantially its remaining debt obligations by way of scheme of arrangement.

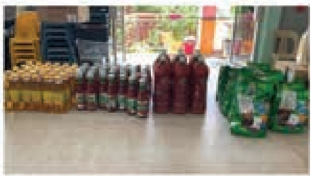
Accordingly, cost control continues to be an ongoing key focus for Pacific Radiance whilst ensuring the service quality and safety of operations is not compromised.

(US$'000)	FY2019
Direct Economic Value Generated	**74,758**
Economic Value Distributed	**87,226**
Operating costs	51,508
Employee wages and benefits	8,824
Finance cost	25,840
Taxation	1,054
Economic Value Retained	**(12,468)**

STAFF VOLUNTEERISM

Despite a languishing backdrop, the Pacific Radiance's spirit of volunteerism remained upbeat. In August 2019, the Company organised an internal donation drive to raise funds for rice, cooking oil, canned food and other daily necessities to be donated to Thian Leng Old Folks Home. These basic items will go into the daily meals for the elderly in the centre.





LOOKING AHEAD

As the company moves 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 balance the need to give back to the community in a prudent and sustainable manner.

SUSTAINABILITY REPORT (GRI CONTENT INDEX)

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201-1	Direct economic value generated and distributed	Economic Performance	34

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Pacific Radiance Ltd. (the "Company") and its subsidiaries (the "Group") are committed to maintaining a high standard of corporate governance to ensure greater transparency, to protect shareholders' interests and enhance shareholders' value.

The Group adopts practices based on the Code of Corporate Governance 2018 (the "Code") issued on 6 August 2018. This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 December 2019 ("FY2019"), with specific reference made to the principles and provisions as set out in the Code and Mainboard listing manual of Singapore Exchange Securities Trading Limited (the "Listing Manual"), where applicable.

While it is always the objective of the Group to ensure all the provisions in the Code are followed strictly, however, in view of the current lean cost structure and financial position of the Group as well as the ongoing debt and corporate restructuring exercises of the Group which involve interests of existing and incoming shareholders and various other stakeholders, there are situations and reasons where full compliance with the provisions may not be feasible or may not be meaningful for the Group at this stage in time. In this regard, where there are areas of the current practices which deviate from the Code, appropriate explanations are provided accordingly.

(A) BOARD MATTERS

The Board's Conduct of Its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The primary function of the Board of Directors (the "Board") is to provide effective leadership and direction and work with Management to enhance the long-term value of the Group for its shareholders and other stakeholders.

The Board sets the tone for the Group in respect of ethics, values and desired organisational culture, and ensures proper accountability within the Group.

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 general, the principal duties of the Board include:

- setting and reviewing the Group's strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet these objectives;
- establishing and maintaining a framework for the oversight of adequacy and effectiveness 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; and
- considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.

Directors are required to promptly disclose any conflict or potential conflict of interest, whether directly or indirectly, in relation to any matters, transactions or proposed transactions with the Group as soon as practicable after the relevant facts have come to their knowledge. Any Director who has a conflict of interest which is likely to impact his independence or conflict with a subject under discussion by the Board is required to immediately declare his interest to the Board and recuse himself from participating in any discussion and voting on the subject matter.

Directors are constantly kept abreast of developments in the business including changes to laws and regulations, corporate governance, financial reporting standards and industry-related matters that are of relevance to the Group through participation in the relevant training courses, seminars, and workshops conducted by Management and professional advisors. The Company is responsible for arranging and funding the training of directors, where required.

The Executive Chairman, CEO and senior management executives provide new directors briefings to familiarise them with the Group's business and governance practices to enable them to assimilate into their new roles in the Board. Through the briefing sessions, new directors can get acquainted with the senior management executives, thereby facilitating board interaction and independent access to senior management executives.

CORPORATE GOVERNANCE REPORT

During FY2019, Mr Ng Tiong Gee, the Lead Independent Director, attended the annual conference organised by Singapore Institute of Directors ("SID").

In addition to the above, the external and internal auditors of the Group regularly brief the audit committee members at their meetings on developments in accounting and governance standards, cybersecurity matters and changes in code of corporate governance and listing rules. The CEO and senior management executives also update the Board at board meetings on business and strategic developments and the current environment of the shipping industry, whenever necessary.

Matters specifically reserved for the Board's approval are key matters such as appointment of directors, appointment of key management personnel, group policies, annual budgets, major acquisitions and disposal of assets not in the ordinary course of business, corporate or financial restructuring exercise, share issuance, declaration or recommendation of dividends, and interested person transactions. Clear directions have been imposed on Management that such matters must be approved by the Board. Apart from the reserved matters as stated above, the Board also approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Management to optimise operational efficiency.

While key matters relating to the Group's objectives, strategies and policies require the Board's direction and approval, the management executive committee comprising key management personnel and senior management executives is responsible for overseeing the day-to-day management and business operation of the Group and implementing the Board-approved strategic policies.

The Board has delegated certain functions to various board committees, namely the audit committee ("AC"), nominating committee ("NC"), and remuneration committee ("RC") (collectively, the "Board Committees"). The Board Committees are constituted with clear written terms of reference setting out their compositions, authorities and duties. While the Board Committees have the authority to examine and may approve certain matters, the Board Committees generally report to the Board with their recommendations for the Board's decisions.

Besides the scheduled Board meetings, the Directors and/or Independent Directors also meet on an ad-hoc basis as necessary and as and when warranted by circumstances. Participation by telephone and video conference at Board and Board Committees meetings are allowed under the Constitution of the Company. The Board and Board Committees also make decisions by way of written circularised resolutions.

The Directors' attendance at the Board's, the Board Committees' and general meetings of the Company held in FY2019 is as below:

	Board Meetings	Audit Committee Meetings	Nominating Committee Meetings	Remuneration Committee Meetings	Annual General Meeting
No of meetings held	5	5	1	1	1
Name of Directors/ Executive Officers					
Pang Yoke Min	5				1
Mok Weng Vai*	5				1
Pang Wei Meng	5		1		1
Lau Boon Hwee	5				1
Yong Yin Min	5	5		1	1
Ng Tiong Gee#	5	3	1	1	1
Ooi Chee Kar^	1	2	1		1
Goh Chong Theng	5	5		1	1

* *ceased as a Director of the Company on 31 December 2019*

\# *appointed as a member of the AC on 26 April 2019*

^ *ceased as a Director and a member of the AC and NC on 26 April 2019*

CORPORATE GOVERNANCE REPORT

The NC assessed each Director's contribution and devotion of time and attention to the Company's affairs, having regard to his/her attendance at the directors' meetings, directorship in other listed companies, principle commitments, is of the view that the number of directorships in listed companies and principle commitments are not significant and there were sufficient time and attention to the Company's affairs given by each Director during the course of FY2019.

Each Director's listed company board directorships and principal commitments can be found in the Board of Directors Profile section of the Annual Report.

Management recognises the importance of ensuring the flow of information to the Directors on an ongoing basis to enable them to make informed decisions and to discharge their duties and responsibilities. All Board and Board Committees papers are distributed to Directors in advance to allow enough 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.

The Board always has separate and independent access to Management through electronic mail, telephone and face-to-face meetings and may request for any additional information needed at any time to enable them to make informed decisions. Key management, the Company's auditors and external consultants are invited to attend Board and Board Committees meetings to update and provide independent professional advice on specific issues, if required.

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 and approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.

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. The Company Secretary assists the Chairman of the Board, the Chairman of the Board Committees and Management in the development of the agendas for their meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent in conduct, character and judgement, and has any relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company.

For the purpose of determining each Independent Director's independence, every Independent Director has provided a declaration on their independence for acting as a director of the Company based on the requirements under the Code and deliberated upon by the NC and the Board.

With regard to Provision 2.1 of the Code which requires that the independence of any director who has served on the Board beyond 9 years from the date of first appointment be subject to particularly rigorous review, the NC has reviewed the independence of Mr Yong Yin Min who has served on the Board beyond 9 years from the date of his appointment. The NC is of the view that Mr Yong Yin Min is independent from management and its substantial shareholders. Mr Yong Yin Min does not have any business relationships with the Company. His long association with the Company does not impede his independent judgement for the interest of the Company. Conversely, Mr Yong Yin Min continues to demonstrate that he is able to exercise independent judgement and decisions for the affairs of the Company and provides significant and valuable contribution objectively to the Board as a whole, particularly, under the present difficult financial situation of the Group.

CORPORATE GOVERNANCE REPORT

The NC assessed the independence of each of the Directors in FY2019. After having considered the declarations made by Mr Yong Yin Min, Mr Ng Tiong Gee and Mr Goh Chong Theng and considering the criteria of independence set out under the Code, determined that the named Directors are independent.

The NC and the Board are aware that the current composition of the Board which comprises 3 Executive Directors and 3 Independent Directors do not meet the requirement of the following provisions under Principle 2 of the Code:–

Provision 2.2 – Independent directors make up a majority of the Board where the Chairman is not independent.

Provision 2.3 – Non-executive directors make up a majority of the Board.

The market conditions of the oil and gas industry remain challenging. Given the circumstances and the ongoing efforts to maintain a lean cost structure, the NC and the Board are of the view that it would be more appropriate to consider the reconstitution of board or appointment of additional independent directors at a later stage.

In the meantime, the Group will continue to tap on the expertise and experience of the present Board to guide it through its ongoing debt and corporate restructuring exercises. The Group is of the view that the present Board provides diversity in terms of experience and expertise of each Directors and there is appropriate level of independence with three Independent Directors making up half of the Board.

Notwithstanding the above, the Group is aware of the requirements and will take steps to ensure these two provisions will be duly complied with as soon as is practicable.

The Group recognises that board diversity is an essential element contributing to its sustainable development and strategic success. The Group believes that board diversity augments decision-making and a diverse board is more effective in dealing with organisational changes and less likely to suffer from groupthink.

The Group has in place a Board Diversity Policy, which endorses the principle that its Board should have a balance of skill, knowledge, experience and diversity of perspectives appropriate to the Group's business to promote the inclusion of different perspectives and ideas.

The NC reviewed the composition of the Board and the Board Committees during the course of FY2019 and is of the view the current Board and Board Committees are of an appropriate size and comprise directors with appropriate balance and mix of skills, knowledge, experience and age except for gender.

Accordingly, one of the objectives of the NC is to identify and recommend suitable female director, preferably with different skills and knowledge from the current Directors, for appointment to the Board to further diversify its current skill sets and gender, at the appropriate time.

The Independent Directors, led by Mr Ng Tiong Gee, the Lead Independent Director of the Company, met regularly outside the Company without the presence of Management on an informal basis during the course of FY2019, to discuss the ongoing debt and corporate restructuring exercise and other matters which require their additional attention. The Lead Independent Director provides feedback to the Chairman of the Board as deem appropriate.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Board is chaired by Mr Pang Yoke Min, Executive Chairman of the Company while Mr Pang Wei Kuan, James was appointed as Acting CEO of the Company with effect from 1 January 2020.

Mr Pang Wei Kuan, James is the son of the Mr Pang Yoke Min, the Executive Chairman and substantial shareholder of the Company. Despite being related, there is a clear division of responsibilities between the Chairman and the Acting CEO. The division of responsibilities between the leadership of the Board and Management ensures that no one individual has unfettered powers of decision-making at both the board and management level.

CORPORATE GOVERNANCE REPORT

The Executive 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; and
- encouraging constructive relations with the Board and between the Board and Management.

The Acting CEO is responsible for:

- developing the Group's business and operation strategies;
- managing the present businesses of the Group,
- implementing the Board's decisions;
- provide oversight of the commercial, marketing, business development and quality, health, safety, security and environmental functions; and
- managing and overseeing the ongoing debt and corporate restructuring exercise of the Group.

Given that the Chairman is non-independent, the Board has appointed Mr Ng Tiong Gee as the Lead Independent Director of the Company. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

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

- Ng Tiong Gee (NC Chairman), Lead Independent Director
- Yong Yin Min, 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, and 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 the appointment and/or replacement of the Executive Chairman, the CEO and key management personnel;
- development and implementation of a process and criteria for evaluation of the performance of the Board, its committees and directors;
- formal assessment of the effectiveness of the Board as a whole, Board Committees and individual directors;
- review of training and professional development programs for the Board and its directors;
- 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 (including alternate directors, if any).

The Company has no alternate director on its Board.

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.

CORPORATE GOVERNANCE REPORT

The NC leads the process as follows:

- the NC evaluates the balance, skills, knowledge, and experience of the existing Board and the requirements of the Group. Considering 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 for recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies will be appointed to continue 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-election of directors. In its deliberations on the re-election of existing Directors, the NC takes into consideration the Director's contribution and performance (including his 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 annual general meeting ("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 Lau Boon Hwee, Mr Yong Yin Min and Mr Goh Chong Theng will retire as a Director of the Company at the forthcoming AGM. The retiring Directors, being eligible, have offered themselves for re-election as a Director of the Company. The Board is satisfied that the retiring Directors are 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 have abstained from deciding on their own nomination.

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

Name of Director	**Lau Boon Hwee**	**Yong Yin Min**	**Goh Chong Theng**
Date of Appointment	28 October 2013	15 November 2006	28 October 2013
Date of last re-appointment	28 April 2017	28 April 2017	28 April 2017
Age	57	68	65
Country of principal residence	Singapore	Singapore	Singapore

CORPORATE GOVERNANCE REPORT

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 considered, among others, the recommendation of the NC and has reviewed and considered the qualification, work experience and suitability of Mr Lau for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Mr Lau possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the qualification, work experience and suitability of Mr Yong for re-appointment as Independent Non-Executive Director of the Company. The Board has reviewed and concluded that Mr Yong possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the qualification, work experience and suitability of Mr Goh for re-appointment as Independent Non-Executive Director of the Company. The Board has reviewed and concluded that Mr Goh 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	Executive Responsible for the operation of the Group's Shipyard Business Division.	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director Chief Technical and Shipyard Officer	Independent Director Chairman of the RC Member of the AC and NC	Independent Director Chairman of the AC Member of the RC
Professional qualifications	Diploma in Offshore and Shipbuilding from Ngee Ann Polytechnic.	• Bachelor of Science from the University of Singapore. • Master in Business Administration from the University of Toronto in Canada • Master in Financial Engineering from the National University of Singapore.	• Bachelor of Computer Science from the University of Windsor, Canada • Master in Business Administration (Finance and Accounting) from McGill University, Canada
Working experience and occupation(s) during the past 10 years	**2020 – Present** Chief Technical and Shipyard Officer, Pacific Radiance Ltd. **2009 – 2019** Managing Director, Shipyard and Marine Equipment Division, Pacific Radiance Ltd. **2008 – 2009** General Manager, Project and Commercial, Pacific Crest Pte. Ltd.	**2017 – Present** Independent director, Pacific Radiance Ltd. **2010 – 2012** Independent director, Swing Media Technology Group Ltd. **2006 – 2017** Non-executive director, Pacific Radiance Ltd. **2003 – 2013** Executive director GLG Corp Ltd.	**2013 – Present** CFO, Taraca Asia International Pte. Ltd. (Singapore) Corporate Finance Director/Advisor, PT Central Cipta Murdaya **2012 – 2013** Head of Banking, RGE Pte. Ltd. **2010 – 2012** Finance Director/CFO, TT International Ltd.

CORPORATE GOVERNANCE REPORT

Shareholding interest in the listed issuer and its subsidiaries	1,624,970 ordinary shares 48,000 rights over shares (share awards)	27,713,000 ordinary shares	240,000 ordinary shares
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	No	No
Conflict of interest (including any competing business)	No	No	No
Other Principal Commitments including Directorships			
Past		Ghim Li Group Pte. Ltd. Ghim Li Holdings Co. Pte. Ltd. GLG Corp Ltd. Swing Media Technology Group Ltd.	USP Group Ltd.
Present	Alstonia Offshore Pte. Ltd. CA Offshore Investment Inc. Crest Offshore Marine Pte. Ltd. Crest Shipyard Pte. Ltd. Crest Subsea International Pte. Ltd. CrestSA Marine & Offshore Pte. Ltd. CSI Offshore Pte. Ltd. Offshore Subsea Services (Asia Pacific) Pte. Ltd. Pacific Crest Pte. Ltd. Pacific Radiance Ltd. Radiance ZJ Pte. Ltd. Strato Maritime Services Pte. Ltd.	Pacific Radiance Ltd. PT Jawa Tirtamarin	Pacific Radiance Ltd. Serrano Ltd.
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

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	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?	Yes. Winding up petition was filed against CSI Offshore Pte. Ltd. on 14 May 2018. Petition has been stayed following the filing for application of moratorium to the Singapore High Court under section 211B(1) of the Companies Act, in context of the debt restructuring of the Group. 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 petition.	No	No
(c) Whether there is any unsatisfied judgment against him?	No	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	No

CORPORATE GOVERNANCE REPORT

(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	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	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	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	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	No

CORPORATE GOVERNANCE REPORT

(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	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	No

CORPORATE GOVERNANCE REPORT

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	N/A

The NC determines annually, and as and when circumstances require, based on a Director's Independence Checklist ("Checklist") completed, if a director is independent, having regard to the circumstances or independence criteria set forth in provision 2.1 of the Code. The NC determined that, during FY2019, there was no Director whose relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, affect their independence as an Independent Director of the Company. The Board is in accord with the NC's determination.

In determining whether a director is able to and has 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.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC conducts an annual assessment on the performance of the Board as a whole, the Board Committees and individual directors and considers each Director's contribution and devotion of time and attention given to the Company.

This process is conducted using a questionnaire designed to assess the performance of the Board and the Board Committees. Individual Directors are assessed on self-evaluation basis. The responses received from the questionnaires are then tabulated, collated and then given to the Chairman of the NC for his review and discussion at the NC meeting. The conclusion of the assessment derived from the consolidated results and recommendations are then presented to the Board for its review and adoption, if deem necessary.

The Board reviews the evaluation conducted by the NC based on the consolidated results received from the Directors and recommendations put forward by the Directors for improvement of performance and effectiveness of the Board, the Board Committees and individual directors. Following the review, the Board is of the view that the Board, the Board Committees and individual directors performed consistently well and operated effectively for FY2019, particularly in providing feedback and guidance to Management on the debt and corporate restructuring.

The Directors, led by the NC, assessed the performance of the Chairman of the Board for FY2019 at the Board meeting and provided the feedback to the Chairman of the Board.

There was no external consultant involved in the Board evaluation process in FY2019.

CORPORATE GOVERNANCE REPORT

The NC performed the following activities in FY2019:

- reviewed the re-election of Directors, and making recommendation to the Board for their approval;
- reviewed the independency of the Independent Directors;
- evaluated the performance and effectiveness of the Board, the Board Committees, Individual Directors and the Chairman;
- reviewed the training and professional development programs for the Directors;
- reviewed the current Board size and composition; and
- reviewed matters relating to Board diversity.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC comprises the following three members, all of whom are Independent 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 director and 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:

- review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel which 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;
- consider the various disclosure requirements for directors' remuneration and ensure that there is adequate disclosure in the financial statements and annual report to enhance transparency between the Company and relevant interested parties; and
- review all aspects of remuneration of Executive Directors and key management personnel including the Company's obligations arising in the event of termination of their service contracts, to ensure the contracts contain fair and reasonable termination clauses which are not overly generous.

In view of the current financial position of the Group, the Group decided to freeze all salary increments or bonuses for employees across all levels for FY2019 except for exceptional cases which warrant adjustments when benchmarked against the market.

The RC has access to the professional advice of external experts in the area of remuneration, where required.

No remuneration consultants were engaged by the Company in FY2019.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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 ("KPI"). In view of the financial situation of the Company, the parameters and targets for KPIs are on achievement of matters relating to effectiveness and efficiency of resources and achievement of milestones in improving the Company's business and financial position with the ultimate objective to turn around the current situation.

The performance-related element of the Executive Directors' and key management personnel's remuneration is designed to align their interests with the interests of shareholders and other stakeholders.

The RC reviews the remuneration of the Non-executive Directors to ensure the remuneration of the non-executive directors of the Company is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.

The RC ensures that the Independent Directors' compensation are appropriate and at the same time does not compromise their independence. None of the Independent Directors have any service contracts with the Company.

Directors' fees are reviewed and endorsed by the RC.

The Board concurred with the RC's proposal for Independent Directors' fees for FY2019 and are of the view that the Directors' fees is appropriate and not excessive.

The RC takes into consideration the need to ensure that remuneration is appropriate in order to attract, retain and motivate directors to provide good stewardship to the Company and key management personnel to successfully manage the Company for the long-term.

In light of the current financial situation of the Company, the RC decided to continue with Pacific Radiance Performance Share Plan ("PSP") to allow shares that have been awarded to eligible participants in the past to vest.

In this regard, no shares have been awarded after 2017, and a total of 931,000 shares awarded in the past to various eligible participants, including the Executive Directors and key management personnel, were vested to the participants in FY2019. As a gesture of appreciation to employees who have stayed with the Company through this difficult time, the following Executive Directors gave up their entitlements to the vested shares and these shares were allotted to the other eligible employees of the Company:

1. Pang Yoke Min
2. Pang Wei Meng
3. Mok Weng Vai
4. Lau Boon Hwee

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

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 and weighed 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.

The remuneration paid to or accrued to each individual Director for FY2019 is as follows:

Name of Director	Fees (%)	Salary (%)	Other Benefits[(1)] (%)	Total (%)
S$250,001 to S$500,000				
Pang Yoke Min	9.4	64.4	26.2	100
Mok Weng Vai*	10.0	68.1	21.9	100
Pang Wei Meng	12.3	65.1	22.6	100
Lau Boon Hwee	10.8	66.7	22.5	100
Below S$250,000				
Ng Tiong Gee	100	–	–	–
Goh Chong Theng	100	–	–	–
Yong Yin Min	100	–	–	–
Ooi Chee Kar#	100	–	–	–

* ceased as a Director of the Company on 31 December 2019

\# ceased as a Director and member of the AC and NC on 26 April 2019

(1) 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 FY2019 is as follows:

	Salary (%)	Other Benefits[(1)] (%)	Total (%)
S$250,001 to S$500,000			
Pang Wei Kuan, James*	63.4	36.6	100
Iris Chia	62.3	37.7	100

* re-designated as Acting CEO of the Company with effect from 1 January 2020

(1) Other benefits refer to benefits-in-kind such as car, housing allowances, club membership, short-term incentives etc.

There are only two employees who are immediate family members of a director or the CEO or a substantial shareholder of the Company and whose remuneration exceeds S$100,000 in FY2019:

- Mr Pang Wei Meng, 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, 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/Acting CEO and has received remuneration in that capacity.

For FY2019, 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

CORPORATE GOVERNANCE REPORT

or an immediate family member of a director or the CEO or a substantial shareholder and whose remuneration exceeds S$100,000.

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, due to the highly competitive industry condition.

Save for Mr Pang Yoke Min, the Executive Chairman and Mr Mok Weng Vai, the Executive Director who are substantial shareholders of the Company, there is no employee who is a substantial shareholder of the Company. Mr Mok Weng Vai resigned as an Executive Director of the Company on 31 December 2019.

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

The RC performed the following activities in FY2019:

- Reviewing the remuneration packages for employees and key-executives and making recommendation to the Board for approval;
- Reviewing the Directors' Fees and making recommendation to the Board for approval; and
- Reviewing the vesting of shares under the Pacific Radiance Performance Shares Plan to the eligible employees of the Group and making recommendation to the Board for approval.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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

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.

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.

Management team, with the assistance of RSM Risk Advisory Pte. Ltd. ("RSM" or "Internal Auditors") facilitated an enterprise risk assessment update in December 2019 at both the business unit level and the corporate level of the Group to identify the key risks that would impact the achievement of the Group's business objectives and strategies. The Board and the AC also work with the internal auditors, external auditors, and Management on their recommendations to institute and execute relevant controls with a view to managing those risks identified in the assessment.

The Board received assurance from the Acting CEO and the Chief Financial Officer ("CFO") of the Company that the financial records of the Group have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances.

The Board also received assurance from the Acting CEO and the key management personnel of the Company that the risk management and internal control systems of the Group were adequate and effective for FY2019.

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 and the assurances provided by the Acting

CORPORATE GOVERNANCE REPORT

CEO, CFO and key management personnel as stated in the afore paragraph, the Board is of the view that the Group's internal controls (including financial, operational and compliance and information technology controls) and risk management systems were adequate and effective for FY2019.

The AC concurs with the Board's view that the internal controls (including financial, operational and compliance and information technology controls) and risk management systems in place of the Group were adequate and effective as at 31 December 2019.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

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

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

The Chairman of the AC, Mr Goh Chong Theng, graduated with a Master in Business Administration (Finance and Accounting) from McGill University, Canada. 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. and the chief financial officer of TT International Ltd., a company listed on SGX.

The other members of the AC have substantial experience in business management and finance services.

The NC and the Board are satisfied that the members of AC have recent and relevant accounting or related financial management expertise and experience to discharge the AC functions.

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

The duties of the AC include:

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;
- reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and
- reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be raised, independently investigated and appropriately followed up on.

During review of the financial statements for FY2019, the AC discussed with 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, adoption of SFRS(I) 16 Leases, impairment review of assets, recoverability of receivables, associates, joint ventures and related party transactions and revenue recognition have been highlighted in the key audit matters section of Independent Auditor's Report.

The AC reviewed the work performed by the Management and made enquiries relevant to the key audit matters. 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

CORPORATE GOVERNANCE REPORT

services provided by breakdown for FY2019 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 FY2019, the AC carried out the following activities:

- reviewed quarterly and full year financial statements (audited and unaudited), and recommending to the Board for approval;
- reviewed interested/related parties' transactions;
- reviewed audit plan and assess the independence of external auditors;
- reviewed internal audit plan and the appointment of internal auditors;
- reviewed the nomination of external auditors for re-appointment at AGM and determined their remuneration, and made appropriate recommendations to the Board for approval; and
- met with the internal and external auditors of the Company without the presence of Management.

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 AC 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 AC is kept abreast by 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 employees of the Group are aware of the existence of the Whistle-Blowing Policy as it had been incorporated in the employee's handbook. A copy of the Group's Whistle-Blowing Policy is also available on the corporate website of the Company.

The Board recognises the importance of maintaining a system of internal controls. The Company has outsourced its internal audit functions to independent internal auditors, RSM for FY2019.

The internal audit function is expected to meet the standard set by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Auditors has unfettered access to all the Company's documents, records, properties and personnel, including access to the Board, the AC and Management, where necessary, and has the right to seek information and explanation.

The appointed Internal Auditors reports directly to the AC and is responsible for assessing the reliability, adequacy and effectiveness of the system of internal controls that are in place to protect the funds and assets of the Group, ensuring control procedures are complied with, assessing if the operations of the business processes under review are conducted efficiently and effectively, and identifying and recommending improvements to internal control procedures, where required.

The Internal Auditors plan its internal audit schedules in consultation with, but independent of, Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the

CORPORATE GOVERNANCE REPORT

activities of the Internal Auditors, including overseeing and monitoring of the implementation of improvements required for internal control weaknesses identified.

For the year under review, the AC has reviewed and is satisfied with the adequacy, independence and effectiveness of the internal audit function.

The AC has met with the external auditors, and the internal auditors, without the presence of Management, once in FY2019.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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 and timely 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 can proactively engage the Board and Management on the Group's business activities, financial performance, and other business-related matters.

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.

At the 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 conducts poll voting for all proposed resolutions at 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 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.

The Company provides for separate resolutions at general meetings on each substantially separate issue unless the issues are interdependent and linked to form one significant proposal.

All the resolutions at the general meetings are single item resolutions.

The Chairman of the Board and the Directors attend all general meetings to address questions and issues raised by shareholders. The external auditors are also present to address any relevant queries from shareholders on the conduct of audit and the preparation and content of the auditors' report. Key management executives are also present at the general meetings to respond to operational questions from shareholders.

All Directors attended the AGM of the Company held on 26 April 2019.

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

CORPORATE GOVERNANCE REPORT

a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Minutes of general meetings are published on the Company's corporate website at http://pacificradiance.listedcompany.com/ar.html

The Company does not have a fixed dividend policy in place. 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.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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. If 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 announcements, it contains investor related information on the Group, including 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 help the Group to identify areas of improvement for investor communication.

The Company has established an investor relation policy that governs regular, effective and fair communication with shareholders. A copy of the Company's investor relations policy is available on the corporate website of the Company.

The investor relation policy sets out mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions i.e. email questions to the investor relation team.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to work towards sustainable growth. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include employees, lenders, investors, clients and regulators.

The Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period can be found under the Sustainability Report section of the Annual Report.

The Company maintains a current corporate website at https://www.pacificradiance.com/. An email alert function is available to members of public who wish to receive updates on the Company's corporate information and SGXNet

CORPORATE GOVERNANCE REPORT

announcements.

The contact details of the investor relations teams are also available on the Company's corporate website, to enable the stakeholders to contact the Company, if required.

(F) OTHER CORPORATE GOVERNANCE MATTERS

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.

There are no interested person transactions entered into by the Group during the course of FY2019.

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 as at 31 December 2019.

Dealing in Securities

The Company has adopted an internal code on dealings in securities. Directors and employees 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 employees of the Company are advised not to deal in the Company's securities on short term considerations and are expected to always observe the insider trading rules, 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 2019.

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 2019 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 complete its restructuring exercise and 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
Pang Wei Meng
Lau Boon Hwee
Yong Yin Min
Ng Tiong Gee
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	20,142,444	20,142,444	465,470,000	465,470,000
Mok Weng Vai (resigned on 31 December 2019)	46,911,256	46,911,256	–	–
Pang Wei Meng	55,000	55,000	–	–
Lau Boon Hwee	1,624,970	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	255,000	74,000	–	–
Mok Weng Vai (resigned on 31 December 2019)	166,000	–	–	–
Lau Boon Hwee	166,000	48,000	–	–
Pang Wei Meng	166,000	48,000	–	–
Ordinary shares of the holding company YM Investco Pte Ltd				
Pang Yoke Min	16,000	20,000	–	–
Pang Wei Meng	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 2020.

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 financial year 2017, under the Performance Share Plan. During the financial year, 931,000 (2018: 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 31.

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	(130,000)	74,000
Directors				
Mok Weng Vai (resigned on 31 December 2019)	–	284,000	(86,000)	–
Pang Wei Meng	–	284,000	(86,000)	48,000
Lau Boon Hwee	–	284,000	(86,000)	48,000
Associate of controlling shareholder other than directors				
Pang Wei Kuan James	–	284,000	(86,000)	48,000

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	Pang Wei Meng Director

30 March 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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 2019, 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

Use of the going concern assumption

As disclosed in Note 2, the Group's current and total liabilities exceeded its current and total assets by US$517,458,000 and US$242,450,000 respectively as at 31 December 2019. For the financial year ended 31 December 2019, the Group generated a net loss of US$83,360,000, which included impairment charges of US$50,571,000, and generated a negative operating cash flow of US$499,000. Additionally, the Company's current liabilities and total liabilities exceeded its current and total assets by US$163,122,000 and US$163,117,000 respectively as at 31 December 2019.

As further disclosed in Note 2, 10, 25 and 40 to the financial statements, the Group had assets with a carrying value of US$221,389,000 as at 31 December 2019 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. In 2018, 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 29 May 2020.

As disclosed more fully in Note 2, the Group had approached potential funders to extend financing to the Group and was in advanced discussion with one of the funders ("first funder") in order to finance a proposed acquisition and to repay existing indebtedness of the Group. The discussions with the first funder had stalled and the Group is currently in discussion with a second funder who had shown keen interest in the Group.

In addition, as disclosed in Note 26 and Note 40, on 26 March 2020, the Company announced that the redemption of the notes payable will not take place on 31 March 2020 as conditions for redemption have not been fulfilled.

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 as at the date of these financial statements and is inherently uncertain.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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 Singapore Financial Reporting Standards in Singapore (International) ("SFRS(I)"), 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 matter 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

30 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Revenue	4	**74,758**	60,667
Cost of sales		**(59,575)**	(65,040)
Gross profit		**15,183**	(4,373)
Other operating income	5	**17,147**	8,248
General and administrative expenses		**(17,474)**	(15,300)
Other operating expenses		**(71,541)**	(54,833)
Finance costs	6	**(25,840)**	(22,183)
Share of results of joint ventures		**219**	1,021
Share of results of associates		**–**	(12,712)
Loss before taxation	7	**(82,306)**	(100,132)
Taxation	8	**(1,054)**	(1,111)
Loss for the year		**(83,360)**	(101,243)
Loss for the year attributable to:			
Equity holders of the Company		**(84,691)**	(99,397)
Non-controlling interests		**1,331**	(1,846)
		(83,360)	(101,243)
Loss per share attributable to equity holders of the Company (US cents per share)			
Basic	9	**(11.9)**	(13.9)
Diluted	9	**(11.9)**	(13.9)

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 2019

	2019 US$'000	2018 US$'000
Loss for the year	**(83,360)**	(101,243)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
– Foreign currency translation	**(705)**	420
– Net fair value changes on cash flow hedges	**–**	401
– Net fair value changes on cash flow hedges, reclassified to profit or loss	**–**	(443)
– Share of other comprehensive income of an associate	**–**	(60)
	(705)	318
Items that will not be reclassified to profit or loss		
– Re-measurement of defined benefit plans	**–**	10
Other comprehensive income for the year, net of tax	**(705)**	328
Total comprehensive income for the year	**(84,065)**	(100,915)
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**(85,396)**	(99,070)
Non-controlling interests	**1,331**	(1,845)
	(84,065)	(100,915)

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	**243,471**	284,349	**–**	–
Investment in subsidiaries	11	**–**	–	**5**	5
Investment in associates	12	**–**	–	**–**	–
Investment in joint ventures	13	**3,012**	6,438	**–**	–
Investment securities	19	**50**	–	**–**	–
Club memberships		**148**	156	**–**	–
Amounts due from related companies	14	**51,435**	52,172	**–**	–
Derivatives	15	**–**	118	**–**	–
Other receivables	18	**241**	–	**–**	–
		298,357	343,233	**5**	5
Current assets					
Inventories	16	**798**	402	**–**	–
Trade receivables	17	**28,931**	17,683	**–**	–
Other receivables	18	**7,345**	4,016	**3,402**	37
Amounts due from related companies	14	**34,346**	39,677	**137,682**	141,448
Derivatives	15	**–**	17	**–**	–
Investment securities	19	**43**	39	**–**	–
Assets held for sale	10	**–**	32,954	**–**	–
Cash and bank balances	20	**18,013**	30,731	**103**	613
		89,476	125,519	**141,187**	142,098
Total assets		**387,833**	468,752	**141,192**	142,103
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	21	**17,182**	15,717	**–**	–
Other liabilities	22	**95,281**	69,724	**11,419**	9,342
Amounts due to related companies	24	**7,518**	8,437	**218,580**	204,620
Bank loans	25	**409,971**	443,021	**–**	–
Notes payable	26	**74,310**	73,350	**74,310**	73,350
Provision for taxation		**1,365**	1,446	**–**	–
Lease liabilities	27	**1,307**	575	**–**	–
		606,934	612,270	**304,309**	287,312
Net current liabilities		**(517,458)**	(486,751)	**(163,122)**	(145,214)

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Non-current liabilities					
Other liabilities	22	**11,717**	11,717	**–**	–
Provisions	23	**244**	238	**–**	–
Deferred tax liabilities	28	**3,106**	2,920	**–**	–
Lease liabilities	27	**8,282**	89	**–**	–
		23,349	14,964	**–**	–
Total liabilities		**630,283**	627,234	**304,309**	287,312
Net liabilities		**(242,450)**	(158,482)	**(163,117)**	(145,209)
Equity attributable to equity holders of the Company					
Share capital	29(a)	**162,854**	162,854	**162,854**	162,854
Treasury shares	29(b)	**(2,290)**	(2,485)	**(2,290)**	(2,485)
Accumulated losses		**(383,099)**	(298,408)	**(323,766)**	(305,761)
Other reserves	30	**(7,968)**	(3,763)	**85**	183
		(230,503)	(141,802)	**(163,117)**	(145,209)
Non-controlling interests		**(11,947)**	(16,680)	**–**	–
Total equity		**(242,450)**	(158,482)	**(163,117)**	(145,209)

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 2019

		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 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 year		–	–	(99,397)	–	–	–	–	–	–	(99,397)	(1,846)	(101,243)
Other comprehensive income													
– Foreign exchange translation	30(a)	–	–	–	419	419	–	–	–	–	419	1	420
– Net fair value changes on cash flow hedges	30(c)	–	–	–	401	–	–	401	–	–	401	–	401
– Net fair value changes on cash flow hedges, reclassified to profit or loss	30(c)	–	–	–	(443)	–	–	(443)	–	–	(443)	–	(443)
– Re-measurement of defined benefit plans	30(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	31	–	–	–	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 2019

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
		Attributable to equity holders of the Company											
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 year		–	–	(84,691)	–	–	–	–	–	–	(84,691)	1,331	(83,360)
Other comprehensive income													
– Foreign exchange translation	30(a)	–	–	–	(704)	(704)	–	–	–	–	(704)	(1)	(705)
– Re-measurement of defined benefit plans	30(d)	–	–	–	(1)	–	–	–	(1)	–	(1)	1	–
Total comprehensive income for the year		–	–	(84,691)	(705)	(704)	–	–	(1)	–	(85,396)	1,331	(84,065)
Contributions by and distributions to equity holders													
– Grant of equity-settled share performance awards to employees	31	–	–	–	97	–	97	–	–	–	97	–	97
– Treasury shares reissued pursuant to employee share award plan		–	195	–	(195)	–	(82)	–	–	(113)	–	–	–
Total contributions by and distributions to equity holders		–	195	–	(98)	–	15	–	–	(113)	97	–	97
Changes in ownership interests in subsidiaries													
– Acquisition of non-controlling interests without change of control		–	–	–	(3,402)	–	–	–	–	(3,402)	(3,402)	3,402	–
Total changes in ownership interests in subsidiaries		–	–	–	(3,402)	–	–	–	–	(3,402)	(3,402)	3,402	–
Balance at 31 December 2019		162,854	(2,290)	(383,099)	(7,968)	(1,712)	228	114	126	(6,724)	(230,503)	(11,947)	(242,450)

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 2019

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	30(c)	–	–	–	401	–	401	–	401
– Net fair value changes on cash flow hedges, reclassified to profit or loss	30(c)	–	–	–	(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)

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 2019

Company	Share capital US$'000	Treasury Shares US$'000	Accumulated losses US$'000	Total other reserves US$'000	Employee share-based payments reserve US$'000	Capital reserve US$'000	Total equity US$'000
Balance at 1 January 2019	162,854	(2,485)	(305,761)	183	213	(30)	(145,209)
Loss for the year	–	–	(18,005)	–	–	–	(18,005)
Total comprehensive income for the year	–	–	(18,005)	–	–	–	(18,005)
Contributions by and distributions to equity holders							
– Grant of equity-settled performance share awards to employees	–	–	–	97	97	–	97
– Treasury shares reissued pursuant to employee share award plan	–	195	–	(195)	(82)	(113)	–
Total contributions by and distributions to equity holders	–	195	–	(98)	15	(113)	97
Balance as at 31 December 2019	162,854	(2,290)	(323,766)	85	228	(143)	(163,117)

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 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities:			
Loss before taxation		**(82,306)**	(100,132)
Adjustments for:			
Depreciation of property, plant and equipment	10	**16,717**	18,415
Recognition of deferred capital grant income	5	**(1,159)**	–
Recognition of financial guarantee liabilities	7	**648**	–
Finance costs	6	**25,840**	22,183
Interest income	5	**(739)**	(1,696)
Share of results of joint ventures		**(219)**	(1,021)
Share of results of associates		**–**	12,712
Loss on sale of property, plant and equipment, net	7	**886**	22
Loss/(gain) on sale of assets held for sale	7	**14,754**	(4)
Impairment of doubtful receivables, net	7	**465**	1,439
Impairment of amounts due from related companies	7	**11,057**	13,044
Impairment of club membership	7	**8**	–
Impairment of property, plant and equipment	7	**39,049**	39,133
Impairment of investment in joint venture	7	**3,395**	–
Net gain on debt forgiveness of bank loan	5	**(14,256)**	(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	30(c)	**–**	443
Net fair value loss on derivatives	7	**29**	14
Net fair value (gain)/loss on held for trading investment securities	7	**(4)**	33
Share-based payment expense	31	**97**	4
Exchange differences		**775**	918
Operating cash flows before changes in working capital		**15,037**	(87)
(Increase)/decrease in trade and other receivables		**(11,936)**	3,479
Increase in amounts due from/to related companies, net		**(3,838)**	(5,058)
Increase in inventories		**(397)**	(40)
Increase/(decrease) in trade payables and other liabilities		**2,714**	(953)
Cash generated from/(used in) operations		**1,580**	(2,659)
Taxes paid		**(898)**	(987)
Interest paid		**(1,726)**	(5,085)
Interest received		**545**	149
Net cash flows used in operating activities		**(499)**	(8,582)

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 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	**(7,554)**	(1,530)
Proceeds from sale of property, plant and equipment		**213**	4,628
Proceeds from sale of assets held for sale		**13,250**	350
Loan (to)/repayment from related companies, net		**(746)**	722
Dividend income from a joint venture		**408**	–
Purchase of investment securities		**(50)**	–
Net cash inflow on dissolution of a joint venture		**31**	–
Deposit paid for proposed acquisition of a company	18	**(2,700)**	–
Net cash flows generated from investing activities		**2,852**	4,170
Cash flows from financing activities:			
Return of capital to minority shareholders of subsidiary		**–**	(16)
Payment of principal portion of lease liabilities	27	**(142)**	(22)
Repayment of bank loans	25	**(14,961)**	(4,147)
Cash and bank balances released as securities		**529**	3,412
Net cash flows used in financing activities		**(14,574)**	(773)
Net decrease in cash and bank balances		**(12,221)**	(5,185)
Effect of exchange rate changes on cash and bank balances		**32**	(49)
Cash and bank balances at 1 January		**27,285**	32,519
Cash and bank balances at 31 December	20	**15,096**	27,285

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 2019

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)").

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 2019, the Company's current and total liabilities exceeded its current and total assets by US$163,122,000 (2018: US$145,214,000) and US$163,117,000 (2018: US$145,209,000) respectively. For the financial year ended 31 December 2019, the Group incurred a net loss of US$83,360,000 (2018: US$101,243,000) and a negative operating cash flow of US$499,000 (2018: US$8,582,000). As at 31 December 2019, the Group's current and total liabilities exceeded its current and total assets by US$517,458,000 (2018:US$486,751,000) and US$242,450,000 (2018: US$158,482,000) respectively.

As disclosed in Note 25, 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.

In 2018, 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 29 May 2020 to allow more time for discussions with bank lenders. 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").

On 22 August 2019, the Group announced that it had entered into a sale and purchase agreement in relation to the acquisition of the entire issued and paid-up capital of Allianz Marine and Logistics Services Holding Ltd ("Target Company") ("Proposed Acquisition") from the shareholders of the Target Company ("Vendors"). It proposed to raise new equity through placement by equity investors, who will include the Vendors ("New Equity"). On 26 August 2019, the Group announced that as part of the proposed New Equity, it had entered into a subscription agreement with each of the Vendors (in their capacities as "Subscribers") pursuant to which the Subscribers will subscribe for, and the Company will allot and issue to the Subscribers, new ordinary shares in the capital of the Company, for an aggregate subscription consideration of US$180 million ("Equity Subscription").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.1 Basis of preparation (Cont'd)

During the year, the Group had approached potential funders to extend debt financing to the Group ("Debt Financing") and was in advanced discussions with one of the funders. In December 2019, the discussions with the first funder had stalled due to certain difficulties that have arisen in the course of the discussions and the Group is currently in discussion with a second funder who has shown keen interest in the Group.

The New Debt and the New Equity will be used to, inter alia, finance the Proposed Acquisition and repay existing indebtedness of the Group by way of the Scheme, including the cash payment to discharge the Group's bank borrowings.

Taking into consideration that the Group have executed the agreements for the Proposed Acquisition and Equity Subscription, the moratoria extended by the Court and the ongoing engagement with the bank lenders and funders, 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 and non-current liabilities as current liabilities. No such adjustments have been made to these financial statements.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial years beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 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) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of application with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.2 Changes in accounting policies (Cont'd)

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

The effect of adoption of SFRS(I) 16 as at 1 January 2019 was as follows:

	Increase US$'000
Asset	
Property, plant and equipment	7,984
Liability	
Lease liabilities	7,984
Total adjustment to equity	–

The Group has lease contracts on land for office space and shipyard premises, plant and office equipment, and charter vessels used in its operations. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

(b) Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application;
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.2 Changes in accounting policies (Cont'd)

(b) Leases previously classified as operating leases (Cont'd)

Based on the above, as at 1 January 2019:

- right-of-use assets of US$8,766,000 were recognised and presented within property, plant and equipment. This includes the leased assets recognised previously under finance leases of US$782,000; and
- additional lease liabilities of US$7,984,000 were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group US$'000
Assets	
Operating lease commitments as at 31 December 2018 (Note 34a)	11,382
Weighted average incremental borrowing rate as at 1 January 2019	3.97%
Discounted operating lease commitments as at 1 January 2019	7,984
Add: Commitments relating to leases previously classified as finance leases (Note 27 & 34b)	664
Lease liabilities as at 1 January 2019 (Note 27)	8,648

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**
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 Reference to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform	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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.6 Foreign currency (Cont'd)

(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 2.19.

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
- Land-use rights: over the remaining life of the leases

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

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 derecognition 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

– Land-use-rights: over the remaining life of the leases

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.10 Impairment of non-financial assets.

The Group's right-of-use assets are presented within property, plant and equipment (Note 10).

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.8 Leases (Cont'd)

(a) Group as a lessee (Cont'd)

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

(b) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an 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.

(c) Group as intermediate lessor (sublease)

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the right-of-use asset arising from the head lease rather than the underlying asset. Refer to Note 33(c).

2.9 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 derecognition 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.9 Intangible assets (Cont'd)

Club memberships

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

2.10 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.

2.11 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.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.12 Joint arrangements (Cont'd)

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 2.13.

2.13 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 2019

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

2.14 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 2019

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

2.14 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.

Derecognition

A financial liability is derecognised 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.

2.15 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 2019

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

2.15 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 and interest rate 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.

2.16 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 2019

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

2.17 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.

2.18 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.

2.19 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.

2.20 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 2019

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

2.21 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 2.16 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.22 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.

2.23 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 2019

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

2.23 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 2019

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.26 Income taxes and other taxes (Cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.26 Income taxes and other taxes (Cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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.

(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 as at 31 December 2019 were US$1,365,000 (2018: US$1,446,000) and US$3,106,000 (2018: US$2,920,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Judgements made in applying accounting policies (Cont'd)

(d) Leases – Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by the option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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 as at 31 December 2019 was US$186,484,000 (2018: US$235,482,000). 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$563,000 (2018: US$695,000) and US$638,000 (2018: US$793,000) respectively in the Group's loss before tax.

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$39,049,000 (2018: US$39,133,000). 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$21,277,000 (2018: US$28,277,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Key sources of estimation uncertainty (Cont'd)

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 2019 are US$28,931,000 (2018: US$17,683,000). The carrying values for amounts due from related companies and other receivables as at 31 December 2019 are disclosed in Note 14 and Note 18 respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as a going concern. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. REVENUE

Disaggregation of revenue

Segments	Offshore support services business US$'000	Subsea business US$'000	Shipyard business US$'000	Total US$'000
2019				
Type of services				
Lease revenue	**15,537**	**5,953**	**–**	**21,490**
Other ancillary time charter revenue	**38,606**	**9,375**	**–**	**47,981**
Ship repair income	**–**	**–**	**4,984**	**4,984**
Ship management fee income	**150**	**–**	**–**	**150**
Others	**–**	**–**	**153**	**153**
	54,293	**15,328**	**5,137**	**74,758**
Timing of transfer of services				
At a point in time	**–**	**–**	**5,137**	**5,137**
Over time	**54,293**	**15,328**	**–**	**69,621**
	54,293	**15,328**	**5,137**	**74,758**
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

The Group accounts for the lease of vessels for bareboat charter and time charter under SFRS(I) 16 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 2019

5. OTHER OPERATING INCOME

	Group	
	2019 US$'000	**2018 US$'000**
Interest income from banks	**148**	152
Interest income from loans to joint ventures and associate	**550**	1,477
Interest income from third parties	**41**	67
Gain on termination of shipbuilding contract, net (Note 10)	**–**	1,190
Gain on termination of vessel lease contract, net	**–**	1,248
Gain on debt forgiveness of bank loan (Note 25)	**14,256**	3,156
Recognition of deferred capital grant income (Note 22)	**1,159**	–
Management fee income	**342**	346
Net fair value gain on held for trading investment securities	**4**	–
Sundry income	**647**	612
	17,147	8,248

Included in interest income from third parties is interest of US$Nil (2018: US$50,000) from an impaired loan to a third party. Refer to Note 18 for allowance for impairment for loan to third party.

In 2018, 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 due to reversal of previously accrued expenses.

6. FINANCE COSTS

	Group	
	2019 US$'000	**2018 US$'000**
Interest expense on:		
– Bank loans carried at amortised cost	**24,857**	19,179
– Lease liabilities (Note 33a)	**410**	44
Interest expense on notes payable carried at amortised cost	**–**	2,419
Interest expense on borrowings from a shareholder of a subsidiary carried at amortised cost	**571**	539
	25,838	22,181
Discount rate adjustment for provisions (Note 23)	**2**	2
	25,840	22,183

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. LOSS BEFORE TAXATION

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

	Group	
	2019 US$'000	**2018 US$'000**
Audit fees:		
– Auditors of the Company	**140**	146
– Other auditors	**4**	8
Non-audit fees:		
– Auditors of the Company	**134**	102
– Other auditors	**44**	56
Legal and professional fees	**4,148**	1,266
Inventories recognised as an expense in cost of sales (Note 16)	**2,605**	2,993
Employee benefits expense (Note 31)	**8,824**	8,827
Depreciation of property, plant and equipment (Note 10)	**16,717**	18,415
Impairment of property, plant and equipment (Note 10)	**39,049**	39,133
Impairment/(write-back of impairment) of doubtful trade receivables, net (Note 17)	**150**	(62)
Impairment of doubtful non-trade receivables, net (Note 18)	**315**	1,501
Impairment of amount due from related companies, net (Note 14)	**11,057**	13,044
Impairment of club membership	**8**	–
Impairment of investment in a joint venture	**3,395**	–
Foreign exchange losses, net	**1,048**	650
Net fair value loss on derivatives	**29**	14
Net fair value (gain)/loss on held for trading investment securities	**(4)**	33
Operating lease expenses (Note 33(a))	**976**	655
Loss on sale of property, plant and equipment, net	**886**	22
Loss/(gain) on disposal of assets held for sale	**14,754**	(4)
Recognition of financial guarantee liabilities	**648**	–
Realisation of deferred gain on sale of vessels to associate (included in share of results of associates)	**–**	(165)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. TAXATION

The major components of income tax expense for the years ended 31 December 2019 and 2018 were:

	Group	
	2019 US$'000	**2018 US$'000**
Consolidated income statements:		
Current income tax		
– Current year's income taxation	**280**	282
– Overprovision in respect of prior years, net	**(263)**	(259)
	17	23
Deferred income tax (Note 28)		
– Origination of temporary differences	**186**	334
Withholding tax	**851**	754
Tax expense recognised in consolidated income statement	**1,054**	1,111

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 2019 and 2018 was as follows:

	Group	
	2019 US$'000	**2018 US$'000**
Loss before taxation	**(82,306)**	(100,132)
Less: Share of results of joint ventures	**(219)**	(1,021)
Less: Share of results of associates	**–**	12,712
Loss before tax and share of results of associates and joint ventures	**(82,525)**	(88,441)
Tax credit at Singapore statutory rate of 17% (2018: 17%)	**(14,029)**	(15,035)
Adjustments:		
Income not assessable for tax purposes	**(46)**	(423)
Expenses not deductible for tax purposes	**6,939**	6,248
Overprovision in respect of prior years, net	**(263)**	(259)
Effect of partial tax exemption and tax relief	**(75)**	(121)
Deferred tax assets not recognised	**408**	109
Utilisation of previously unrecognised tax losses	**(219)**	–
Net tax exempt loss under Section 13A or 13F of the Singapore Income Tax Act and rebate available	**7,488**	9,838
Withholding tax	**851**	754
Tax expense recognised in consolidated income statement	**1,054**	1,111

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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	
	2019 US$'000	**2018 US$'000**
Loss for the year attributable to equity holders of the Company	**(84,691)**	(99,397)
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for calculation:		
– Applicable to basic earnings per share	**714,116**	713,602
– On a fully diluted basis	**714,116**	713,602

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

576,000 (2018: 2,049,000) 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 Group is in a loss position.

Since the end of the financial year, the Company has not acquired (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. PROPERTY, PLANT AND EQUIPMENT

	Vessels US$'000	Drydocking expenditure US$'000	Vessels under construction US$'000	Plant and equipment US$'000	Property and buildings US$'000	Land-use rights US$'000	Total US$'000
Group							
Cost:							
At 1 January 2018	609,582	7,481	19,840	10,921	61,629	–	709,453
Additions	335	1,069	–	57	69	–	1,530
Adjustments [1] [2]	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 and 1 January 2019	504,662	7,229	–	10,805	60,449	–	583,145
Effect of adopting SFRS(I) 16	–	–	–	–	–	7,984	7,984
At 1 January 2019 (adjusted)	504,662	7,229	–	10,805	60,449	7,984	591,129
Additions	207	7,274	–	73	–	631	8,185
Disposals	(8,255)	(2,028)	–	(177)	–	–	(10,460)
Translation differences	–	–	–	113	795	109	1,017
At 31 December 2019	496,614	12,475	–	10,814	61,244	8,724	589,871

	Vessels US$'000	Drydocking expenditure US$'000	Vessels under construction US$'000	Plant and equipment US$'000	Property and buildings US$'000	Land-use rights US$'000	Total US$'000
Group							
Accumulated depreciation and impairment loss:							
At 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 [1]	–	–	(6,391)	–	–	–	(6,391)
Reclass to assets held for sale	(55,328)	(103)	–	–	–	–	(55,431)
Translation differences	–	–	–	(55)	(59)	–	(114)
At 31 December 2018 and 1 January 2019	269,180	5,326	–	5,866	18,424	–	298,796
Depreciation charge for the financial year	11,972	1,608	–	514	2,175	448	16,617
Impairment loss	35,518	–	–	–	3,531	–	39,049
Disposals	(6,540)	(1,847)	–	(173)	–	–	(8,560)
Translation differences	–	–	–	48	344	6	398
At 31 December 2019	310,130	5,087	–	6,255	24,474	454	346,400
Net carrying amounts:							
At 31 December 2018	235,482	1,903	–	4,939	42,025	–	284,349
At 31 December 2019	186,484	7,388	–	4,559	36,770	8,270	243,471

[1] During the previous financial year, 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).

[2] During the previous financial year, one of the Group's disposal of vessel through finance lease was terminated and the Group has reclassified the carrying value of the vessel of US$1,325,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 33.

Plant and equipment with carrying amount of US$720,000 (2018: US$782,000) were acquired under finance lease arrangements.

The cash outflow on acquisition of property, plant and equipment in 2019 amounted to US$7,554,000 (2018: US$1,530,000).

Assets pledged as security

At the balance sheet date, vessels with a carrying amount totalling US$181,425,000 (2018: US$221,247,000) were mortgaged to banks as collateral to secure the Group's bank loans (Note 25).

At the balance sheet date, buildings, shipyard and plant and equipment with a carrying amount of US$39,964,000 (2018: US$46,137,000) were mortgaged to banks as collateral to secure the Group's bank loans (Note 25).

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 29 May 2020 to allow more time for discussions with bank lenders. Depending on the progress of the restructuring, the Group may 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.

Capitalisation of borrowing costs

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

During the financial year, no borrowing costs was capitalised as cost of vessels and shipyard under construction (2018: Nil).

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$39,049,000 (2018: US$39,133,000), 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 2019. The recoverable amount of the property, plant and equipment was based on its fair value less costs to dispose.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Assets held for sale

	Vessels US$'000	Drydocking expenditure US$'000	Total US$'000
At 1 January 2018	346	–	346
Disposals	(346)	–	(346)
Transfer from property, plant and equipment	32,827	127	32,954
At 31 December 2018 and 1 January 2019	32,827	127	32,954
Disposals	(32,827)	(127)	(32,954)
At 31 December 2019	–	–	–

At the balance sheet date, assets held for sale with a carrying amount totalling US$Nil (2018: US$32,954,000) were mortgaged to banks as collateral to secure the Group's bank loans (Note 25).

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 US$'000	**2018 US$'000**
Unquoted equity shares, at cost	**51,447**	51,447
Performance share awards granted to employees of subsidiaries	**144**	50
Impairment losses	**(51,586)**	(51,492)
	5	5

(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	
			2019 %	2018 %
Held by the Company				
Pacific Crest Pte Ltd [1]	Singapore	Ship chartering and ship owning	**100**	100
Strato Maritime Services Pte Ltd [1]	Singapore	Ship chartering and ship agency	**100**	100
Alstonia Offshore Pte Ltd [1]	Singapore	Ship agent and related business	**100**	100
Crest Subsea International Pte Ltd [1]	Singapore	Integrated subsea solutions	**100**	100
Crest Offshore Marine Pte Ltd [1]	Singapore	Investment holding	**100**	100
Crest Shipyard Pte Ltd [1]	Singapore	Investment holding	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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	
			2019 %	2018 %
Held through Alstonia Offshore Pte Ltd				
Radiance Offshore B.V [4]	Netherland	Ship chartering	**100**	100
Radiance Offshore Navegacao (Alagoas) Ltda [2] [6]	Brazil	Ship chartering, ship owning and ship management	**100**	100
Pacific Offshore Pte Ltd [1]	Singapore	Ship owning, ship chartering and ship management	**100**	100
Envestra Investments Limited [4]	British Virgin Islands	Investment holding	**100**	100
Pacific Radiance (East Africa) Lda [4]	Africa	Marketing office	**100**	100
Pacific Crest (Brunei) Sdn Bhd [2]	Brunei	Marketing office	**90**	90
Radiance Offshore Holdings Pte Ltd [1]	Singapore	Investment holding	**100**	100
Continental Radiance Offshore Pvt Ltd [3]	India	Ship chartering and ship owning	**100**	100
Held through Crest Offshore Marine Pte Ltd				
Firstmac Investments Limited [4]	British Virgin Islands	Investment holding	**100**	100
Radiance ZJ Pte Ltd [1]	Singapore	Ship chartering and ship owning	**63**	63
Pacific Offshore Marine Pte Ltd [1]	Singapore	Ship chartering and ship owning	**100**	100
Consolidated Pipe Carriers Pte Ltd [1]	Singapore	Integrated logistics solutions services provider	**100**	100
Crest Siam Pte Ltd [1]	Singapore	Investment holding	**100**	100
Held through Firstmac Investments Limited				
Hudson Marine Pte Ltd [1]	Singapore	Investment holding	**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
Held through Crest Subsea International Pte Ltd				
CSI Offshore Pte Ltd [1]	Singapore	Ship chartering, ship owning and ship management services	**100**	100
Offshore Subsea Services (Asia Pacific) Pte Ltd [1]	Singapore	Offshore subsea intervention for oil and gas industry	**100**	80
Berjaya Offshore (Labuan) Ltd [3] [5]	Malaysia	Ship chartering and ship owning	**100**	–
PT Cahaya Offshore Indonesia [3] [7]	Indonesia	Dormant	**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
Held through PT Subsea Offshore				
PT Marine Engineering Services [3]	Indonesia	Offshore subsea intervention for oil and gas industry	**95**	95

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For the financial year ended 31 December 2019

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

(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) Incorporated during the financial year.
(6) Struck off in January 2020.
(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.

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 2019 and 31 December 2018, 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 32(a).

(b) Acquisition of ownership interest in subsidiary, without a loss of control

On 29 August 2019, the Group's subsidiary, Crest Subsea International Pte. Ltd. ("CSIPL"), acquired 20% equity interest in Offshore Subsea Services (Asia Pacific) Pte Ltd ("OSS") from its non-controlling interests for a cash consideration of US$1. As a result, OSS became a wholly-owned subsidiary of CSIPL. The carrying value of net liabilities of OSS at the acquisition date was US$17,252,000 and the carrying value of the interest acquired was US$3,402,000. The difference of US$3,402,000 between the consideration and the carrying value of the interest acquired was recognised as "Premium paid on acquisition of non-controlling interests" within equity (Note 30e(i)). The equity attributable to equity holders of the Company decreased by US$3,402,000.

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

As at 31 December 2019, the Group has no subsidiaries (2018: Nil) that have non-controlling interest that are material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. INVESTMENT IN ASSOCIATES

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

	Group	
	2019 US$'000	**2018 US$'000**
PT Jawa Tirtamarin	**–**	–
PT Logindo Samudramakmur Tbk	**14,778**	14,778
	14,778	14,778
Less: Allowance for impairment	**(14,778)**	(14,778)
	–	–
Fair value of investment in PT Logindo Samudramakmur Tbk for which there is a published price quotation	**4,727**	4,530

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	
			2019 %	**2018 %**
Held through subsidiaries				
PT Jawa Tirtamarin ("PT Jawa") [(1)]	Indonesia	Ship owning, ship chartering and ship brokering	**49**	49
PT Logindo Samudramakmur Tbk ("PT Logindo") [(2)]	Indonesia	Ship owning and ship chartering	**32.4**	32.4

(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.

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$28,930,000 (2018: US$24,822,000) of which US$4,108,000 (2018: US$2,848,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. INVESTMENT IN ASSOCIATES (CONT'D)

The activities of the associates are strategic to the Group's activities. The summarised financial information in respect of PT Jawa and PT Logindo based on its IFRS 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	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Current assets	**6,543**	6,038	**20,319**	16,371
Non-current assets	**46,590**	48,975	**130,059**	140,296
Total assets	**53,133**	55,013	**150,378**	156,667
Current liabilities	**(20,469)**	(19,429)	**(33,148)**	(69,266)
Non-current liabilities	**(64,608)**	(65,098)	**(76,394)**	(37,990)
Total liabilities	**(85,077)**	(84,527)	**(109,542)**	(107,256)
Net (liabilities)/assets	**(31,944)**	(29,514)	**40,836**	49,411
Proportion of the Group's ownership	**49%**	49%	**32.4%**	32.4%
Group's share of net (liabilities)/assets	**(15,653)**	(14,462)	**13,231**	16,009
Deferred group's share of net losses	**24,423**	23,232	**4,507**	1,796
Deferred group's share of movement in reserves	**–**	–	**67**	–
Elimination of gain on sale of vessels	**(5,626)**	(5,626)	**(3,104)**	(3,104)
Effects of change in functional currency	**(3,144)**	(3,144)	**–**	–
Allowance for impairment	**–**	–	**(14,778)**	(14,778)
Other adjustments	**–**	–	**77**	77
Carrying amount of the Group's investment in associates	**–**	–	**–**	–

Summarised statement of comprehensive income

	PT Jawa		PT Logindo	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Revenue	**4,330**	6,931	**25,611**	26,893
Loss after tax	**(2,430)**	(2,188)	**(8,235)**	(45,381)
Other comprehensive income	**–**	–	**(340)**	(78)
Total comprehensive income	**(2,430)**	(2,188)	**(8,575)**	(45,459)

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 2019 was US$210,000 (2018: US$210,000).

No dividend (2018: Nil) was received from the associates during the financial year ended 31 December 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. INVESTMENT IN JOINT VENTURES

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

	Group	
	2019 US$'000	**2018 US$'000**
Alam Radiance (L) Inc	**5,865**	5,865
CA Offshore Investment Inc	**3,395**	3,568
Duta Pacific Offshore Sdn Bhd	**3,012**	2,835
Other joint ventures	**–**	35
	12,272	12,303
Less: Allowance for impairment	**(9,260)**	(5,865)
	3,012	6,438

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group 2019 %	2018 %
Held through subsidiaries				
Alam Radiance (M) Sdn Bhd (3)	Malaysia	Ship management and ship chartering	**50**	50
Alam Radiance (L) Inc (3) (6)	Malaysia	Ship owning and ship chartering	**49**	49
CA Offshore Investment Inc (5) (9)	British Virgin Islands	Ship owning and ship chartering	**50**	50
Duta Pacific Offshore Sdn Bhd (2) (6)	Malaysia	Ship owning and ship chartering	**49**	49
Duta Radiance Maritim Sdn Bhd (3) (6) (10)	Malaysia	Dormant	**49**	49
Duta Maritime Alliances Sdn Bhd (2) (6)	Malaysia	Ship owning and ship chartering	**49**	49
Duta Maritime Ventures Sdn Bhd (2) (6)	Malaysia	Ship owning and ship chartering	**49**	49
SDM Marine Pte Ltd (7)	Singapore	Ship owning and ship chartering	**–**	50
Aztec Offshore Holdings Pte Ltd (1)	Singapore	Ship owning and ship chartering	**19**	19
CR Offshore S.A.P.I de C.V. (5) (6)	Mexico	Ship management and ship chartering	**49**	49
CEIBA Maritima, SAPI de CV,SOFOM ENR (5)	Mexico	Ship chartering and leasing	**50**	50
Dot Radiance Pte Ltd (1)	Singapore	Ship owning and ship chartering	**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
Pacific Allianz Holdings Pte Ltd (1) (4)	Singapore	Investment holding	**52**	52
Held through joint ventures				
Aztec Offshore Holdings Pte Ltd (1)	Singapore	Ship owning and ship chartering	**31.1**	31.1
Radiance Alliance Pte Ltd (1)	Singapore	Ship owning and ship chartering	**50**	50
AR Offshore Pte Ltd (1) (4)	Singapore	Ship owning and ship chartering	**52**	52
Al Hail Marine Services LLC (3) (8)	United Arab Emirates	Ship management	**52**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. INVESTMENT IN JOINT VENTURES (CONT'D)

(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 in 2018.
(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) Liquidated during the financial year.
(8) Incorporated during the financial year.
(9) In process of liquidation.
(10) In process of strike-off.

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$66,513,000 (2018: US$47,986,000), of which US$18,527,000 (2018: US$3,232,000) was the share of the current period'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	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Navigatis Radiance Pte Ltd Group	**(21,261)**	(22,999)	**1,738**	(8,477)
CR Offshore S.A.P.I. de CV	**(14,605)**	(13,637)	**(968)**	(3,799)
DOT Radiance Pte Ltd	**(5,771)**	(6,006)	**235**	(27)
Duta Maritime Ventures Sdn Bhd	**(5,237)**	(4,667)	**(570)**	(919)
Duta Maritime Alliances Sdn Bhd	**(6,063)**	(3,475)	**(2,588)**	(842)
Alam Radiance (L) Inc	**(6,897)**	(1,578)	**(5,319)**	(1,578)
CA Offshore Investment Inc	**(4,239)**	–	**(4,239)**	–
Pacific Allianz Holdings Pte Ltd Group	**(3,734)**	(280)	**(3,454)**	(280)
SDM Marine Pte Ltd	**–**	–	**–**	3,068
Aztec Offshore Holdings Pte Ltd	**(2,657)**	(2,030)	**(627)**	745
Other joint ventures	**(2,994)**	(2,576)	**(418)**	(323)
	(73,458)	(57,248)	**(16,210)**	(12,432)

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

	Group	
	2019 US$'000	**2018 US$'000**
The Group's share of the joint ventures'		
(Loss)/profit after tax	**(197)**	36
Other comprehensive income	**–**	–
Total comprehensive income	**(197)**	36

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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") for 2019, and DPO and CA Offshore Investment Inc ("CA Offshore") for 2018. The joint ventures are incorporated in Malaysia and British Virgin Islands respectively, DPO is a strategic venture in the business of vessel owning and chartering. CA Offshore is in process of liquidation.

Summarised financial information in respect of DPO and CA Offshore based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	DPO		CA Offshore	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Cash and bank balances	**1,367**	1,147	**64**	1,586
Other current assets	**911**	1,291	**3,568**	5,555
Current assets	**2,278**	2,438	**3,632**	7,141
Non-current assets	**4,007**	5,659	**–**	–
Total assets	**6,285**	8,097	**3,632**	7,141
Current financial liabilities (excluding trade, other payables and provisions)	**108**	2,246	**–**	–
Other current liabilities	**30**	66	**5,319**	5
Total liabilities	**138**	2,312	**5,319**	5
Net assets/(liabilities)	**6,147**	5,785	**(1,687)**	7,136
Proportion of the Group's ownership	**49%**	49%	**50%**	50%
Group's share of net assets/(liabilities)	**3,012**	2,835	**(844)**	3,568
Deferred group's share of net losses	**–**	–	**4,239**	–
Carrying amount of the Group's investment	**3,012**	2,835	**3,395**	3,568
Allowance for impairment	**–**	–	**(3,395)**	–
	3,012	2,835	**–**	3,568

Summarised statement of comprehensive income

	DPO		CA Offshore	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Revenue	**4,928**	4,928	**–**	–
Depreciation and amortisation	**(281)**	(281)	**–**	–
Operating expenses	**(3,286)**	(2,047)	**(9,514)**	(264)
Finance income	**1**	1	**693**	–
Finance costs	**(21)**	(105)	**(2)**	(1)
Profit/(loss) before tax	**1,341**	2,496	**(8,823)**	(265)
Income tax expense	**(139)**	(214)	**–**	–
Profit/(loss) before tax	**1,202**	2,282	**(8,823)**	(265)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**1,202**	2,282	**(8,823)**	(265)

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 advance.

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14. AMOUNTS DUE FROM RELATED COMPANIES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Amounts due from associates	**81,225**	79,722	**–**	–
Amounts due from joint ventures	**94,216**	90,316	**–**	–
Amounts due from subsidiaries	**–**	–	**414,019**	405,703
	175,441	170,038	**414,019**	405,703
Less: Allowance for impairment	**(89,660)**	(78,189)	**(276,337)**	(264,255)
	85,781	91,849	**137,682**	141,448
Less: Current portion	**(34,346)**	(39,677)	**(137,682)**	(141,448)
Non-current portion	**51,435**	52,172	**–**	–
Movement in allowance accounts:				
At 1 January	**78,189**	70,082	**264,255**	220,225
Charge for the year (Note 7)	**11,057**	13,044	**10,471**	45,682
ECL adjustment to interest income	**610**	568	**–**	–
Written off during the year	**(265)**	(3,057)	**–**	–
Exchange difference	**69**	(2,448)	**1,611**	(1,652)
At 31 December	**89,660**	78,189	**276,337**	264,255
Amounts due from related companies comprised:				
Trade	**8,625**	3,755	**–**	–
Non-trade	**64,156**	75,840	**15,440**	14,357
Loans	**13,000**	12,254	**122,242**	127,091
	85,781	91,849	**137,682**	141,448

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$21,735,000 (2018: US$26,255,000) which bear weighted average interest rate at 5.0% (2018: 5.0%) per annum, and non-trade amount due from joint ventures and associates for sale of vessels of US$61,491,000 (2018: US$61,175,000) which bear weighted average interest rate at 0% (2018: 0%) 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$33,129,000 (2018: US$43,798,000) which are repayable in 3 years (2018: 4 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$3,399,000 (2018: US$3,552,000) pertaining to lease receivables for vessels chartered to related company under finance lease. The weighted average interest rates on the lease receivables was 5.23%.The average remaining lease term is 6 months.

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.

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

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

	Group		Company	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Singapore Dollar	**4,162**	2,227	**14,746**	14,350

15. DERIVATIVES

	Group					
	2019			2018		
	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	–
		–	–		135	–
Less: Current portion		–	–		(17)	–
Non-current portion		–	–		118	–

The interest rate swaps receive floating interest rates equal to 1-month LIBOR, pay an average fixed rate of interest of approximately 1.66% per annum as at 31 December 2018. They either matured or were terminated early during the current financial year (2018: mature between February 2019 and March 2020).

16. INVENTORIES

	Group	
	2019 US$'000	**2018 US$'000**
Balance sheet:		
Work-in-progress (at cost)	**61**	93
Finished goods (at cost or net realisable value)	**737**	309
	798	402
Consolidated income statement:		
The following is included in consolidated income statement:		
Inventories recognised as an expense in cost of sales (Note 7)	**2,605**	2,993

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For the financial year ended 31 December 2019

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	
	2019 US$'000	**2018 US$'000**
Singapore Dollar	**3,916**	3,111
Malaysian Ringgit	**202**	–
Brazilian Real	**–**	50
Indonesian Rupiah	**–**	251

Included in trade receivables was an amount of US$2,398,000 (2018: US$914,000) 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.

Significant changes in unbilled trade receivables are explained as follows:

	2019 US$'000	**2018 US$'000**
Unbilled trade receivables reclassified to trade receivables	**914**	875
Charter revenue earned but not yet billed	**2,398**	914

On 1 January 2018, the carrying amount of trade receivables was US$18,607,000, including unbilled trade receivables of US$875,000.

Expected credit losses

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

	Group	
	2019 US$'000	**2018 US$'000**
Movement in allowance accounts:		
At 1 January	**12,010**	13,597
Charge for the year (Note 7)	**224**	151
Write back of allowance (Note 7)	**(74)**	(213)
Written off during the year	**(1,117)**	(1,526)
Exchange differences	**(2)**	1
At 31 December	**11,041**	12,010

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. OTHER RECEIVABLES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Deposits	**3,047**	410	**2,700**	–
Prepayments	**1,155**	1,771	**26**	24
GST/VAT receivable	**211**	163	**23**	13
Recoverables from customers	**1,440**	1,109	**–**	–
Advances to staff	**48**	53	**–**	–
Advance payment to suppliers	**56**	5	**–**	–
Accrued interest	**8**	13	**–**	–
Loans to third parties	**9,937**	18,016	**–**	–
Tax recoverable	**69**	84	**–**	–
Lease receivables (Note 33(c))	**589**	–	**–**	–
Other receivables	**3,472**	2,810	**653**	–
	20,032	24,434	**3,402**	37
Less: Allowance for impairment	**(12,446)**	(20,418)	**–**	–
	7,586	4,016	**3,402**	37
Less: Current portion	**(7,345)**	(4,016)	**(3,402)**	(37)
Non-current portion	**241**	–	**–**	–
Movement in allowance accounts:				
At 1 January	**20,418**	18,875	**–**	–
Charge for the year (Note 7)	**315**	1,501	**–**	–
ECL adjustment to interest income	**1,159**	51	**–**	–
Written off during the year	**(9,472)**	–	**–**	–
Exchange	**26**	(9)	**–**	–
At 31 December	**12,446**	20,418	**–**	–

These amounts are unsecured and non-interest bearing except for loans to third parties which bear a weighted average interest rate at 7.5% (2018: 6.2%) per annum, repayable upon demand and to be settled in cash.

Deposits as at 31 December 2019 include an amount of US$2,700,000 paid for the Proposed Acquisition of the Target Company as disclosed in Note 2.1.

Loans to third parties included an amount of US$864,000 (2018: US$863,000) secured by investment securities owned by the borrower, and US$8,180,000 (2018: US$7,505,000) secured by shares of the borrower.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. OTHER RECEIVABLES (CONT'D)

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$9,761,000 (2018: US$17,839,000) for impairment of loan to third parties with a nominal amount of US$9,937,000 (2018: US$18,016,000).

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

	Group		Company	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Singapore Dollar	**1,737**	1,587	**49**	37
Euro	**76**	57	**–**	–
Japanese Yen	**143**	91	**–**	–
India Rupee	**107**	62	**–**	–

19. INVESTMENT SECURITIES

	Group	
	2019 US$'000	**2018 US$'000**
Current		
At fair value through profit or loss		
– Equity securities (quoted) (Note 37)	**43**	39
Non-current		
At fair value through other comprehensive income		
– Equity securities (unquoted) (Note 37)	**50**	–
	93	39

20. CASH AND BANK BALANCES

	Group		Company	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Cash at banks and on hand	**11,048**	23,771	**103**	613
Short-term bank deposits	**6,965**	6,960	**–**	–
	18,013	30,731	**103**	613
Less: Cash pledged	**(2,917)**	(3,446)	**–**	–
Cash and bank balances in the consolidated cash flow statement	**15,096**	27,285	**103**	613

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 2019 for the Group was 1.7% (2018: 2.4%) 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$2,917,000 (2018: US$3,446,000).

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

	Group		Company	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Singapore Dollar	**3,022**	4,809	**91**	572
Indian Rupee	**87**	157	**–**	–
Brazilian Real	**–**	1	**–**	–
Brunei Dollar	**17**	–	**–**	–

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	
	2019 US$'000	**2018 US$'000**
Singapore Dollar	**7,024**	7,728
Malaysian Ringgit	**91**	299
Japanese Yen	**344**	102
Euro	**639**	55
Brunei Dollar	**1,185**	610
Saudi Riyal	**131**	291

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. OTHER LIABILITIES

	Group		Company	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Current:				
Other payables	**8,347**	9,808	**7,409**	7,785
Deposits received	**291**	957	**–**	–
Amount due to shareholder of a subsidiary	**19,264**	18,693	**–**	–
Accrued operating expenses	**63,674**	37,576	**3,362**	1,557
Accrued tax expenses	**331**	252	**–**	–
Deferred gain on sale of vessels to joint ventures and associate	**1,075**	1,075	**–**	–
Advance billings to customers	**1,651**	1,318	**–**	–
Financial guarantee liabilities	**648**	–	**648**	–
Defined benefit plan obligation	**–**	45	**–**	–
	95,281	69,724	**11,419**	9,342
Non-current:				
Deferred gain on sale of vessels to joint ventures and associate	**11,717**	11,717	**–**	–
Total other liabilities	**106,998**	81,441	**11,419**	9,342

Other payables are non-interest bearing and are normally settled immediately or on 60-day term. Included in other payables is US$7,078,000 (2018: US$7,522,000) payable to banks on termination of cross-currency swaps which were derivatives previously designated for hedging the notes payables.

Included in other payables was an amount of US$284,000 (2018: US$1,418,000) relating to capital grant payable that was previously classified as deferred capital grant by the Group. 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. During 2018, the grant was reclassified to other payables as the related vessel had been reclassified as held-for-sale. During 2019, the related vessel had been sold and the Group is required to return a total sum of US$284,000. The remaining sum of US$1,159,000 was recognised as deferred capital grant income (Note 5).

Deposits received relate to deposits collected from customers as at 31 December 2019 and deposits collected from buyers for sale of vessels as at 31 December 2018.

Amount due to shareholder of a subsidiary is unsecured, repayable on demand and bears interest rate at 4.92% (2018: 4.63%) 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.

During the financial year, the Company has recognised financial guarantee liabilities amounting to US$648,000 in relation to the corporate guarantee given for the borrowings of its associates (Note 35).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. OTHER LIABILITIES (CONT'D)

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

	2019 US$'000	2018 US$'000
Revenue recognised that was included in the advance billings to customers balance at the beginning of the year	**1,318**	350
Advances received from customers but performance obligations not yet satisfied at the end of the year	**1,651**	1,318

On 1 January 2018, the carrying amount of advance billings to customers was US$350,000.

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

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Singapore Dollar	**14,425**	11,582	**3,120**	3,184

23. PROVISIONS

	Group Reinstatement cost US$'000
At 1 January 2018	241
Accretion expenses (Note 6)	2
Exchange	(5)
At 1 January 2019	238
Accretion expenses (Note 6)	2
Exchange	4
At 31 December 2019	244

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. AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Amounts due to associate	**6,952**	7,654	**–**	–
Amounts due to joint ventures	**566**	783	**53**	–
Amounts due to subsidiaries	**–**	–	**218,527**	204,620
	7,518	8,437	**218,580**	204,620
Amounts due to related companies comprised:				
Trade	**1,120**	2,006	**–**	–
Non-trade	**6,398**	6,431	**1,293**	10
Loans	**–**	–	**217,287**	204,610
	7,518	8,437	**218,580**	204,620

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. AMOUNTS DUE TO RELATED COMPANIES (CONT'D)

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	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Singapore Dollar	**–**	–	**130,217**	112,159

25. BANK LOANS

	Group	
	2019 US$'000	2018 US$'000
Bank loans	**409,971**	443,021
Less: Current portion	**(409,971)**	(443,021)
Bank loans (Non-current portion)	**–**	–

Bank loans were secured by:

- First legal mortgages over the vessels of the Group, with net book values of US$181,425,000 (2018: US$221,247,000) (Note 10);
- First legal mortgages over assets held for sale of the Group, with net book values of US$Nil (2018: US$32,954,000) (Note 10);
- Escrow mortgages over the buildings, shipyard and plant and equipment of the Group, with net book values of US$39,964,000 (2018: US$46,137,000) (Note 10);
- A right to take assignment of charter earnings of the mortgaged vessels and insurance policies of the mortgaged vessels, mortgaged buildings and mortgaged shipyard; and
- Cash pledged of US$2,917,000 (2018: US$3,446,000) (Note 20).

In addition, an amount of US$409,971,000 (2018: US$443,021,000) of the Group's bank loans was secured by corporate guarantees from the Company.

Bank loans are repayable between 1 to 8 years (2018: 1 to 9 years), payable monthly or quarterly and bear interest. The weighted average interest rate on the bank loans was 4.20% (2018: 4.29%) per annum. Included in bank loans was an amount of US$77,257,000 (2018: US$79,706,000) denominated in SGD.

Included in the bank loans were 5 (2018: 5) revolving credit facilities amounting to a total of US$96,400,000 (2018: US$96,535,000), bearing interest at COF + 2.5%, LIBOR + 3.0%, LIBOR + 1.75%, LIBOR + 2.0% and LIBOR + 2.0% (2018: 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 (2018: December 2018 and September 2021).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

25. BANK LOANS (CONT'D)

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 2018 and 2019, the Group sold certain vessels that were mortgaged to banks. The sale proceeds were used to settle part of the outstanding bank loans. The remaining bank loans were forgiven by the banks, resulting in a gain on debt forgiveness of US$14,256,000 (2018: US$3,156,000) (Note 5).

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

			Non-cash changes		
	1 January 2019 US$'000	Cash flows US$'000	Foreign exchange US$'000	Other US$'000	31 December 2019 US$'000
Bank loans – current	443,021	(14,961)	1,117	(19,206)	**409,971**

			Non-cash changes		
	1 January 2018 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

The 'Other' column relates to debt forgiveness of bank loans (Note 5). In 2019, it also include a carrying amount of US$4,950,000 for a mortgaged vessel from asset held for sale which was used to partly repay liabilities with a lender bank. The remaining liabilities were subsequently released pursuant to a settlement agreement after year end (Note 40).

26. NOTES PAYABLE

	Group and Company	
	2019 US$'000	2018 US$'000
Current: SGD100 million	**74,310**	73,350

The notes payable were non-interest bearing (2018: bore fixed interest rate of 4.3% per annum payable semi-annually) and are listed on SGX-ST. Trading of the notes payable has been suspended since February 2018.

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.

On 11 October 2019, the noteholders approved the extension of the maturity date of the notes payable from 30 September 2019 to 31 March 2020 to allow time for the Group to complete its debt restructuring. On 26 March 2020, the Company announced that the redemption of the notes payable will not take place on 31 March 2020 as conditions for redemption of the notes payable, in particular the proposed scheme of arrangement being sanctioned by the High Court and the necessary shareholders' approval in relation to the restructuring of the Group, have not been fulfilled.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. LEASE LIABILITIES

	Group 2019 US$'000	Group 2018 US$'000
Lease liabilities	**9,589**	664
Less: Current portion	**(1,307)**	(575)
Lease liabilities (Non-current portion)	**8,282**	89

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SRS(I) 16. The impact of adoption is disclosed in Note 2.2.

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

			Non-cash changes			
	1 January 2019 US$'000	Cash flows US$'000	Addition during the year US$'000	Foreign exchange US$'000	Other US$'000	31 December 2019 US$'000
Lease liabilities						
– current	863	(142)	342	(1)	245	**1,307**
– non-current	7,785	–	942	100	(545)	**8,282**
Total	8,648	(142)	1,284	99	(300)	**9,589**

The 'Other' column relates to reclassification of non-current portion of finance lease obligations due to passage of time and reclassification to accounts payable upon billing by the lessors.

			Non-cash changes		
	1 January 2018 US$'000	Cash flows US$'000	Foreign exchange US$'000	Other US$'000	31 December 2018 US$'000
Lease liabilities					
– current	337	(22)	(7)	267	575
– non-current	363	–	(7)	(267)	89
Total	700	(22)	(14)	–	664

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 2019

28. DEFERRED TAX LIABILITIES

Deferred tax liabilities as at 31 December relates to the following:

	Group			
	Balance sheet		Consolidated income statement	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Deferred tax liabilities:				
Unremitted foreign sourced income	**3,106**	2,920	**186**	334
Deferred tax expense (Note 8)			**186**	334

	Group	
	2019 US$'000	2018 US$'000
Movement in deferred tax liabilities:		
At 1 January	**2,920**	2,586
Charge to profit or loss (Note 8)	**186**	334
At 31 December	**3,106**	2,920

Unrecognised tax losses

At the end of the financial year, the Group has tax losses of approximately US$13,174,000 (2018: US$19,988,000) 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 (2018: US$ Nil) 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 their earnings until they obtain 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 (2018: US$ Nil).

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29. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2019		2018	
	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			
	2019		2018	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Balance at the beginning of the year	**(12,029)**	**(2,485)**	(12,243)	(2,530)
Reissued pursuant to employee share award plan				
– On vesting of employee share awards	**931**	**–**	214	–
– Transferred from employee share-based payments reserve (Note 30(b))	**–**	**82**	–	15
– Loss transferred to capital reserve (Note 30(e)(ii))	**–**	**113**	–	30
	931	**195**	214	45
Balance at end of the year	**(11,098)**	**(2,290)**	(12,029)	(2,485)

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.

During the financial year, the Company reissued 931,000 (2018: 214,000) treasury shares pursuant to its employee share award plan at a total cost of US$195,000 (2018: US$45,000).

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30. 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	
	2019 US$'000	**2018 US$'000**
At 1 January	**(1,008)**	(1,427)
Net effect of exchange differences arising from translation of financial statements	**(704)**	419
At 31 December	**(1,712)**	(1,008)

(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 31).

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	
	2019 US$'000	**2018 US$'000**
At 1 January	**213**	224
Grant of equity-settled share performance awards to employees (Note 31)	**97**	4
Treasury shares reissued pursuant to employee share award plan (Note 29(b))	**(82)**	(15)
At 31 December	**228**	213

NOTES TO THE FINANCIAL STATEMENTS

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30. OTHER RESERVES (CONT'D)

(c) Hedging reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date. During the previous financial year, US$401,000 were made up of the net movements in cash flow hedges and the effective portion of the cross currency swaps.

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
At 1 January	**114**	259	**–**	42
Net movement on cash flow hedge:				
Gains/(losses) arising during the year				
– Cross currency swaps	**–**	401	**–**	401
– Reclassification to profit or loss on termination of cash flow hedge	**–**	(443)	**–**	(443)
– Share of net movement in cash flow hedge of an associate	**–**	(103)	**–**	–
At 31 December	**114**	114	**–**	–

(d) Defined benefit plan

The Group's subsidiary, PT Marine Engineering Services ("PT MES") had 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").

During the financial year, PT MES has paid out the employee benefits, with no further obligation as at year-end.

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	
	2019 US$'000	2018 US$'000
Present value of defined benefit obligation	**–**	45
Net liability arising from defined benefit obligation	**–**	45

NOTES TO THE FINANCIAL STATEMENTS

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30. OTHER RESERVES (CONT'D)

(d) Defined benefit plan (Cont'd)

Changes in present value of the defined benefit obligations are as follow:

	Group	
	2019 US$'000	**2018 US$'000**
As at 1 January	**45**	49
Interest cost	**–**	3
Current service cost	**–**	6
Re-measurement loss	**–**	(10)
Benefits paid	**(45)**	–
Exchange differences	**–**	(3)
At 31 December	**–**	45

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	
	2019	**2018**
Discount rate	**–**	8.3%
Salary increment rate	**–**	10.0%
Mortality rate	**–**	TMI-2011
Retirement age	**–**	55 years
Actuarial method	**–**	Projected Unit Credit

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	
		2019	**2018**
Discount rate	+1%	**–**	6
	-1%	**–**	(7)
Salary increment rate	+1%	**–**	(6)
	-1%	**–**	6

NOTES TO THE FINANCIAL STATEMENTS

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30. OTHER RESERVES (CONT'D)

(e) Capital reserve

(i) Premium paid on acquisition of non-controlling interests

	Group	
	2019 US$'000	**2018 US$'000**
At 1 January	**(3,179)**	(3,179)
Acquisition of non-controlling interests without change in control (Note 11(b))	**(3,402)**	–
At 31 December	**(6,581)**	(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	
	2019 US$'000	**2018 US$'000**
At 1 January	**(30)**	–
Treasury shares reissued pursuant to employee share award plan (Note 29(b))	**(113)**	(30)
At 31 December	**(143)**	(30)

31. EMPLOYEE BENEFITS

	Group	
	2019 US$'000	**2018 US$'000**
Employee benefits expense (including directors):		
Salaries, wages and benefits	**7,966**	8,053
Central Provident Fund contributions	**761**	761
Employee service cost (Defined benefit plan) (Note 30(d))	**–**	9
Share-based payments (Performance share plan) (Note 30(b))	**97**	4
At 31 December	**8,824**	8,827

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For the financial year ended 31 December 2019

31. EMPLOYEE BENEFITS (CONT'D)

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
2019					
28 July 2016	**763**	**–**	**–**	**(763)**	**–**
14 November 2017	**1,286**	**324**	**(931)**	**(103)**	**576**
	2,049	**324**	**(931)**	**(866)**	**576**
2018					
28 July 2016	1,526	–	–	(763)	763
14 November 2017	2,005	–	(214)	(505)	1,286
	3,531	–	(214)	(1,268)	2,049

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, 931,000 (2018: 214,000) share awards were vested under Grant 2, resulting in 931,000 (2018: 214,000) treasury shares being re-issued.

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For the financial year ended 31 December 2019

32. 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	
	2019 US$'000	**2018 US$'000**
Income		
Charter hire income:		
– Joint ventures	**1,850**	185
Ship repair income:		
– Associates	**542**	477
– Joint ventures	**370**	344
Interest income from:		
– Joint ventures	**550**	1,477
Management fee income from:		
– Joint ventures	**327**	346
Ship management fee income from:		
– Associates	**–**	8
– Joint ventures	**126**	188
Miscellaneous income from:		
– Associates	**1**	26
– Joint ventures	**245**	205
Expense		
Charter hire expense and other cost of sales to:		
– Associates	**787**	1,549
– Joint ventures	**201**	2,446
Interest expense to:		
– A shareholder of a subsidiary	**571**	539
Other service expenses to:		
– A company related to a director	**–**	10

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32. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Compensation of key management personnel (including directors)

	Group	
	2019 US$'000	**2018 US$'000**
Short-term employee benefits	**1,648**	1,629
Central Provident Fund contributions	**64**	69
	1,712	1,698
Comprise amounts paid to:		
Directors of the Company	**1,207**	1,239
Other key management personnel	**505**	459
	1,712	1,698

33. LEASES

(a) Group as lessee

The Group has various lease contracts on land for office space and shipyard premises, plant and office equipment, and charter vessels used in its operations.

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 year 2037. The terms do not contain restrictions on the Group's activities concerning dividends, additional debts or entering into other leasing agreements.

For the financial year ended 31 December 2018, the Group has rental expenses of US$655,000 relating to the land. Effective from 1 January 2019, the Group has accounted for the rental of land under SFRS(I) 16.

The Group also has certain leases of plant and office equipment with low value and short-term leases for charter of vessels. The Group applies the 'lease of low-value assets and short-term lease' recognition exemption for these leases.

(i) Carrying amounts of right-of-use assets classified within property, plant and equipment

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

		Group	
	Land-use rights US$'000	**Plant and equipment US$'000**	**Total US$'000**
As at 1 January 2019	**7,984**	**782**	**8,766**
Additions	**631**	**–**	**631**
Depreciation	**(448)**	**(82)**	**(530)**
Translation differences	**103**	**20**	**123**
As at 31 December 2019	**8,270**	**720**	**8,990**

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For the financial year ended 31 December 2019

33. LEASES (CONT'D)

(a) Group as lessee (Cont'd)

(ii) Lease liabilities

The carrying amounts of lease liabilities and the movements during the financial year are disclosed in Note 27 and the maturity analysis of lease liabilities is disclosed in Note 36(b).

(iii) Amounts recognised in profit or loss

	Group 2019 US$'000
Depreciation of right-of-use assets	530
Interest expense on lease liabilities (Note 6)	410
Lease expense not capitalised in lease liabilities:	
– Expense relating to short-term leases (included in cost of sales)	911
– Expense relating to leases of low-value assets (included in general and administrative expenses)	65
Total (Note 7)	976
Total amount recognised in profit or loss	1,916

(iv) Total cash outflow

The Group had total cash outflows for leases of US$468,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of US$631,000 in 2019.

(b) Group as lessor

(i) Operating lease

The Group had entered into charter hire leases on its fleet of vessels. The leases have terms between 2 days and 5 years, and varying renewal rights, including extension and termination options.

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	
	2019 US$'000	2018 US$'000
Not later than one year	14,900	12,630
Later than one year but not later than five years	9,770	20,257
	24,670	32,887

(ii) Finance lease

Details of such lease receivables are disclosed in Note 14 and Note 18.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. LEASES (CONT'D)

(c) Group as intermediate lessor (sublease)

During the financial year, the Group had entered into sublease arrangement where it re-leased some external party's vessels to third party while the lease between with the vessel owner and the Group remains in effect. The sublease was classified as a finance lease.

Set out below are the carrying amounts of lease receivables (classified as 'other receivables') and lease liabilities and the movements during the period:

	Group 2019 US$'000
As at 1 January 2019	**–**
Additions	**701**
Accretion of interest	**8**
Reclassification to trade receivables and payables	**(120)**
As at 31 December 2019	**589**
Current	**348**
Non-current	**241**

The maturity analysis of lease liabilities is disclosed in Note 36(b).

34. COMMITMENTS

(a) Commitments – Operating lease commitments as lessee

Rental expense in relation to land, that was recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to US$655,000.

As at 31 December 2018, the future minimum rental payable under non-cancellable operating leases contracted for but not recognised as liabilities, at the balance sheet date were as follows:

	Group 2018 US$'000
Not later than one year	599
Later than one year but not later than five years	2,396
Later than five years	8,387
	11,382

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term and low-value leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. COMMITMENTS (CONT'D)

(b) Commitments – Finance lease commitments as lessee

As at 31 December 2018, the Group leases its equipment under finance leases.

The future minimum lease payments under finance leases and their present values were as follows:

	Group 2018	
	Minimum lease payments US$'000	Present value of payments US$'000
Not later than one year	616	575
Later than one year but not later than five years	90	89
Total minimum lease payments	706	664
Less: Amount representing finance charges	(42)	–
Present value of minimum lease payments	664	664

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.2.

35. CONTINGENT LIABILITIES

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	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Corporate guarantees given for the borrowings of:				
– Subsidiaries	**–**	–	**409,971**	443,021
– Joint ventures	**19,754**	20,516	**14,130**	14,764
– Associates	**4,055**	4,974	**4,055**	4,974
	23,809	25,490	**428,156**	462,759

Amounts included in other liabilities in respect of the guarantees are disclosed in Note 22 to the financial statements.

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 will 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 25).

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 29 May 2020 to allow more time for discussions with bank lenders. Depending on the progress of the restructuring, the Group may 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 guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

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 Group 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 2019 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
2019					
Gross carrying amount	**37,574**	**9,387**	**7,876**	**964**	**19,347**
Loss allowance provision	**11,041**	**–**	**–**	**–**	**11,041**

	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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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$136,000 (2018: 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 2019 reconciles to the opening loss allowance as follows:

	Group	
	2019 US$'000	**2018 US$'000**
At 1 January	**12,010**	13,597
Loss allowance measure at:		
Lifetime ECL		
– Based on provision matrix	**68**	17
– Credit risk has increased significantly since initial recognition	**156**	134
Write back of allowance	**(74)**	(213)
Written off during the year	**(1,117)**	(1,526)
Exchange difference	**(2)**	1
At 31 December	**11,041**	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 2019 reconciles to the opening loss allowance provision as follows:

	Group	
	2019 US$'000	**2018 US$'000**
At 1 January	**20,418**	18,875
Loss allowance measure at:		
Lifetime ECL		
– Credit risk has increased significantly since initial recognition	**1,474**	1,552
Written off during the year	**(9,472)**	–
Exchange difference	**26**	(9)
At 31 December	**12,446**	20,418

Information on gross amount of other receivables is disclosed in Note 18. The Group does not have significant other receivables at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

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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 2019 reconciles to the opening loss allowance provision as follows:

	Group		Company	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
At 1 January	**78,189**	70,082	**264,255**	220,225
Loss allowance measure at:				
Lifetime ECL				
– Provision matrix	**23**	24	**–**	–
– Credit risk has increased significantly since initial recognition	**11,644**	13,588	**10,471**	45,682
Written off during the year	**(265)**	(3,057)	**–**	–
Exchange difference	**69**	(2,448)	**1,611**	(1,652)
At 31 December	**89,660**	78,189	**276,337**	264,255

Information on gross amounts of amounts due from related companies is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

(iii) Amounts due from related companies at amortised cost (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 58% (2018: 46%) 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
2019					
Top 5 customers	**16,673**	**5,326**	**5,469**	**250**	**5,628**
2018					
Top 5 customers	8,072	1,992	2,820	684	2,576

61% (2018: 65%) 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).

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group is in discussion with its bank lenders, noteholders and potential investors in relation to the restructuring of the Group's borrowings and capital structure (see Notes 25 and 26).

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				
2019				
Financial liabilities:				
Trade payables and other liabilities	**109,549**	**–**	**–**	**109,549**
Amounts due to related companies	**7,518**	**–**	**–**	**7,518**
Bank loans	**426,881**	**–**	**–**	**426,881**
Notes payable	**74,310**	**–**	**–**	**74,310**
Lease liabilities	**1,693**	**2,847**	**8,465**	**13,005**
Total undiscounted financial liabilities	**619,951**	**2,847**	**8,465**	**631,263**
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
Lease liabilities	616	90	–	706
Total undiscounted financial liabilities	625,707	90	–	625,797

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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$'000	Total US$'000
Company		
2019		
Financial liabilities:		
Other liabilities	**11,618**	**11,618**
Amounts due to related companies	**218,580**	**218,580**
Notes payable	**74,310**	**74,310**
Total undiscounted financial liabilities	**304,508**	**304,508**
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

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
2019	
Group	
Corporate guarantees	**23,809**
Company	
Corporate guarantees	**428,156**
2018	
Group	
Corporate guarantees	25,490
Company	
Corporate guarantees	462,759

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 (2018: 75) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been US$3,037,000 (2018: US$2,992,000) 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.

(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 2018.

		Group Loss before tax	
		2019 US$'000	**2018 US$'000**
USD/SGD	– strengthened 3% (2018: 3%)	**5,075**	4,839
	– weakened 3% (2018: 3%)	**(5,075)**	(4,839)

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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.

(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:

	2019 US$'000 Fair value measurements at the end of the reporting period using		
	Quoted prices in active markets for identifiable instruments (Level 1)	Significant unobservable inputs (Level 3)	Total
Group			
Assets measured at fair value			
Financial assets:			
Equity securities at fair value through profit or loss (Note 19)			
Quoted equity securities	43	–	43
Equity securities at FVOCI (Note 19)			
Unquoted equity securities	–	50	50
Financial assets as at 31 December 2019	43	50	93

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37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(ii) Fair value of financial instruments that are carried at fair value (Cont'd)

	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:			
Equity securities at fair value through profit or loss (Note 19)			
Quoted equity securities	39	–	39
Derivatives (Note 15)			
Interest rate swaps	–	135	135
Financial assets as at 31 December 2018	39	135	174

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 liabilities.

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 liabilities, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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	Financial assets at fair value through OCI US$'000
Group			
2019			
Assets			
Trade receivables	**28,931**	**–**	**–**
Other receivables	**6,095**	**–**	**–**
Amounts due from related companies	**85,781**	**–**	**–**
Investment securities	**–**	**43**	**50**
Cash and bank balances	**18,013**	**–**	**–**
	138,820	**43**	**50**
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	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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
Group	
2019	
Liabilities	
Trade payables	**17,182**
Other liabilities	**91,649**
Amounts due to related companies	**7,518**
Bank loans	**409,971**
Notes payable	**74,310**
Lease liabilities	**9,589**
	610,219
2018	
Liabilities	
Trade payables	15,717
Other liabilities	64,659
Amounts due to related companies	8,437
Bank loans	443,021
Notes payable	73,350
Lease liabilities	664
	605,840

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 assets at amortised cost US$'000
Company	
2019	
Assets	
Other receivables	**3,353**
Amounts due from related companies	**137,682**
Cash and bank balances	**103**
	141,138
2018	
Assets	
Amounts due from related companies	141,448
Cash and bank balances	613
	142,061

Company	
2019	
Liabilities	
Other liabilities	**10,771**
Amounts due to related companies	**218,580**
Notes payable	**74,310**
	303,661
2018	
Liabilities	
Other liabilities	9,342
Amounts due to related companies	204,620
Notes payable	73,350
	287,312

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 2019 and 31 December 2018.

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, which was further extended to 31 March 2020 on 11 October 2019, subject to sanction of the Scheme by the Court and shareholders' approval.

On 26 March 2020, the Company announced that the redemption of the notes payable will not take place on 31 March 2020 as conditions for redemption of the Notes, in particular the proposed scheme of arrangement being sanctioned by the High Court and the necessary shareholders' approval in relation to the restructuring of the Group, have not been fulfilled.

Refer to Note 2.1 for more information on the restructuring.

	Group	
	2019 US$'000	**2018 US$'000**
Bank loans	**409,971**	443,021
Notes payable	**74,310**	73,350
Less: Cash and bank balances	**(18,013)**	(30,731)
Net debt	**466,268**	485,640
Equity attributable to the equity holders of the Company	**(230,503)**	(141,802)
Gearing ratio (%)	**NM**	NM

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 owning, managing, chartering and operating of offshore vessels supporting the offshore oil and gas industry.

II. The Subsea Business is engaged in owning, chartering and 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.

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
2019				
Revenue:				
Sales	55,664	15,352	7,470	78,486
Inter-segment sales (Note A)	(1,371)	(24)	(2,333)	(3,728)
Sales to external customers	54,293	15,328	5,137	74,758
Results:				
Interest income	707	–	32	739
Finance costs	(23,843)	(221)	(1,776)	(25,840)
Depreciation and amortisation	(10,859)	(2,761)	(3,097)	(16,717)
Share of results of joint ventures	219	–	–	219
Share of results of associates	–	–	–	–
Impairment of property, plant and equipment	(26,412)	(9,105)	(3,532)	(39,049)
Other non-cash expenses (Note B)	(8,066)	(6,857)	(2)	(14,925)
Segment loss	(60,464)	(11,975)	(9,867)	(82,306)
Segment assets:				
Investment in associates	–	–	–	–
Investment in joint ventures	3,012	–	–	3,012
Additions to non-current assets (Note C)	6,583	971	631	8,185
Segment assets	251,894	80,678	55,261	387,833
Segment liabilities	548,997	19,158	62,128	630,283

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. SEGMENT INFORMATION (CONT'D)

	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

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.

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	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Asia [1]	**61,056**	44,734	**243,619**	284,505
Middle East	**13,702**	15,933	**–**	–
	74,758	60,667	**243,619**	284,505

(1) Asia includes Brunei, Malaysia, Myanmar, Singapore and Thailand.

Included in revenue from Asia is an amount of US$5,548,000 (2018: US$6,697,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. SEGMENT INFORMATION (CONT'D)

Geographical information (Cont'd)

Included in non-current assets from Asia is an amount of US$234,293,000 (2018: US$268,848,000) relating to non-current assets from Singapore.

Information about major customers

For the financial year ended 31 December 2019, revenue from 1 major customer of the Offshore Support Business and 1 major customer of the Subsea Business amounted to US$19,466,000 and US$9,266,000 respectively. For the financial year ended 31 December 2018, revenue from 2 major customers of the Offshore Support Business amounted to US$13,583,000.

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 29 May 2020 to allow more time for discussions with bank lenders.

On 18 February 2020, the Group entered into a settlement agreement with a lender bank. The agreement stipulated that all mutual claims between the lender bank and the Group shall be set off against each other and the remaining obligations owing by the Group are released. Accordingly, the Group will derecognise bank loans and associated accrued interest payables of US$12,930,000 against cash held with the lending bank of US$1,163,000, and a net gain on debt forgiveness of US$11,877,000 for financial year ending 31 December 2020.

On 26 March 2020, the Company announced that the redemption of the notes payable will not take place on 31 March 2020 as conditions for redemption of the Notes, in particular the proposed scheme of arrangement being sanctioned by the High Court and the necessary shareholders' approval in relation to the restructuring of the Group, have not been fulfilled.

Impact of Coronavirus ("COVID-19") pandemic and uncertainties in the oil and gas markets

The recent outbreak of the COVID-19 pandemic has posed severe challenges to countries globally. The uncertainties surrounding the impact of the COVID-19 pandemic on the global economy and financial markets have hurt sentiment severely and heightened market volatility significantly. Oil price has also declined sharply due to falling demand as economic activities are negatively impacted by containment measures imposed by governments around the world. This is compounded by the ongoing price war between Saudi Arabia and Russia.

The Group has put in place precautionary measures to ensure that the workplace remain safe for its employees and business contingency plans have been rolled out to reduce the impact of disruption to operations. These measures and plans are updated continually to adhere to advisories and recommendations of the government.

The Group is keeping a close watch on the downside risk to the business as the COVID-19 pandemic continues to evolve. Given that these recent developments took place after the financial year ended 31 December 2019, they are non-adjusting events that do not have an impact on the financial statement of the Group for the same period. It is challenging to predict the financial impact of the COVID-19 pandemic to the business at this juncture. Should the situation persist for a protracted period, the risk to the Group could include lower vessel utilisation affecting revenue and gross margins as oil and gas projects get deferred or cancelled, delay or default in payment by customers affecting operating cash flows, and fall in value of financial and non-financial assets with further impairment.

41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 30 March 2020.

STATISTICS OF SHAREHOLDINGS

As at 30 March 2020

SHARE CAPITAL

Class of shares	:	Ordinary Shares
Number of issued and paid-up shares (excluding Treasury Shares)	:	714,657,013
Number of Treasury Shares	:	11,098,000
Number of subsidiary holdings	:	–
Number (Percentage) of Treasury Shares to total number of issued shares excluding Treasury Shares	:	1.55%
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	144	5.69	133,000	0.02
1,001 – 10,000	1,043	41.24	6,241,809	0.87
10,001 – 1,000,000	1,318	52.12	83,521,884	11.69
1,000,001 and above	21	0.83	624,760,205	87.42
Total	2,529	100.00	714,657,013	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
YM InvestCo Pte. Ltd.	465,470,000	65.13	–	–
Pang Yoke Min	20,142,444	2.82	465,470,000[(1)]	65.13
Mok Weng Vai	46,911,256	6.56	–	–

(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 30 March 2020

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LIMITED	436,902,084	61.13
2	DBS NOMINEES PTE LTD	54,406,300	7.61
3	MOK WENG VAI	46,911,256	6.56
4	YONG YIN MIN	27,623,000	3.87
5	PANG YOKE MIN	20,142,444	2.82
6	CITIBANK NOMINEES SINGAPORE PTE LTD	5,589,300	0.78
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,524,751	0.63
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,507,900	0.63
9	FREDDIE TAN POH CHYE	3,099,000	0.43
10	PHILLIP SECURITIES PTE LTD	2,769,700	0.39
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,573,900	0.36
12	UOB KAY HIAN PTE LTD	2,389,500	0.33
13	OCBC NOMINEES SINGAPORE PTE LTD	1,675,400	0.23
14	S NALLAKARUPPAN	1,658,400	0.23
15	KGI SECURITIES (SINGAPORE) PTE. LTD.	1,655,300	0.23
16	MARC-PLAN PTE LTD	1,650,000	0.23
17	LAU BOON HWEE	1,624,970	0.23
18	TAN SIANG SENG	1,390,000	0.19
19	LIM AND TAN SECURITIES PTE LTD	1,383,600	0.19
20	OCBC SECURITIES PRIVATE LTD	1,214,500	0.17
	Total:	623,691,305	87.24

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 30 March 2020, approximately 20.72% 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 Thursday, 25 June 2020 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 2019 and the Directors' Statement and the Independent Auditors' Report thereon.

   (See Explanatory Note 1)

2. To approve the Directors' fees of S$395,000 for the financial year ending 31 December 2020. **(Resolution 1)**

3. 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:–

   (a) Mr. Lau Boon Hwee **(Resolution 2)**
   (b) Mr. Yong Yin Min **(Resolution 3)**
   (c) Mr. Goh Chong Theng **(Resolution 4)**

   (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 5)**

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,

   provided always that

NOTICE OF ANNUAL GENERAL MEETING

(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."

(See Explanatory Note 3) **(Resolution 6)**

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 7)**

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

15 April 2020

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, 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. A proxy need not be a member of the Company.

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.

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. Yong Yin Min will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Remuneration Committee, and a member of Audit Committee and Nominating Committee of the Company.

   Mr. Goh Chong Theng will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Audit Committee, and a member of Remuneration Committee of the Company.

   Key information on the retiring directors can be found on pages 42 to 48 of the Annual Report.

3. The ordinary resolution no. 6 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. 7 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.

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 Thursday, 25 June 2020 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against or abstain from voting on 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 meeting.

No.	**Ordinary Resolutions**	**No. of Votes For***	**No. of Votes Against***	**No. of Votes Abstain***
1.	Approval of Directors' Fees for the financial year ending 31 December 2020			
2.	Re-election of Mr. Lau Boon Hwee as director			
3.	Re-election of Mr. Yong Yin Min as director			
4.	Re-election of Mr. Goh Chong Theng as director			
5.	Re-appointment of Auditors			
6.	Authority to allot and issue ordinary shares			
7.	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" or "Abstain", please tick (√) within the box provided. Alternatively, please indicate the number of votes in the box appropriately.

Dated this ______ day of ____________ 2020

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. Pang Wei Meng
Executive Director

Mr. Lau Boon Hwee
Executive Director

Mr. Ng Tiong Gee
Lead Independent Director

Mr. Goh Chong Theng
Independent Director

Mr. Yong Yin Min
Independent Director

AUDIT COMMITTEE

Mr. Goh Chong Theng, Chairman
Mr. Yong Yin Min
Mr. Ng Tiong Gee

REMUNERATION COMMITTEE

Mr. Yong Yin Min, Chairman
Mr. Ng Tiong Gee
Mr. Goh Chong Theng

NOMINATING COMMITTEE

Mr. Ng Tiong Gee, Chairman
Mr. Yong Yin Min
Mr. Pang Wei Meng

JOINT COMPANY SECRETARIES

Ms. Lin Moi Heyang, ACIS
Ms. Low Mei Wan, ACIS

REGISTERED OFFICE

15 Pandan Road
Singapore 609263
Tel +65 6238 8881
Fax +65 6278 2759
www.pacificradiance.com

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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