

RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The board of directors (the “**Board**”) of Pacific Radiance Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to provide the following response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 5 June 2020 in relation to the Annual Report for the financial year ended 31 December 2019 (“**Annual Report**”), as follows:

Query by SGX-ST:

1. Listing Rule 715(2) provides that the issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies and Listing Rule 717 requires disclosure of the names of the auditing firm(s) appointed for each of its significant subsidiaries and associated companies. We note that some of the foreign-incorporated subsidiaries and associated companies listed on page 104 to 105 are not required to be audited under the laws of the country of incorporation.

With regard to these entities:-

- i. Please state if they are significant foreign-incorporated subsidiaries and associated companies of the Company; and
- ii. If these are significant foreign-incorporated subsidiaries and associated companies of the Company, please disclose if their financial statements have been audited by Ernst & Young LLP for consolidation purposes.

Company's Response:

As disclosed in page 104 to 105 of the Annual Report, the foreign-incorporated subsidiaries and associated companies not required to be audited under the laws of the country of incorporation are Radiance Offshore B.V, Envestra Investments Limited, Pacific Radiance (East Africa) Lda and Firstmac Investments Limited (the “**Entities**”). The Company confirms that the Entities are not considered to be significant within the meaning of Listing Rule 718.

Query by SGX-ST:

2. Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “**Code**”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response:

As disclosed in page 50 of the Annual Report, the remuneration structure and policy of the Group are designed to support the implementation of the Group's strategy and creation of shareholder value. Remuneration of Directors and key management personnel are reviewed and recommended by the Remuneration Committee (the “**RC**”) to the Board on an annual basis, taking into account the strategic and value creation objectives of the Group.

The fees for Directors comprise a basic retainer fee, additional fees for appointment to board committees and attendance fees for board meetings. As disclosed in page 50 of the Annual Report, the RC considers the need to ensure that remuneration is appropriate to attract, retain and motivate Directors to provide good stewardship to the Group, and at the same time does not compromise the independence of the Independent Directors. The RC also considers other factors such as effort, time spent and responsibilities of the Directors. Shareholders' approval is sought yearly at the Annual General Meeting for the total Directors' fees to be paid in the following financial year and the total Directors' fees is disclosed in the Notice of Annual General Meeting in the Annual Report.

As disclosed in page 50 of the Annual Report, the remuneration of Executive Directors and key management personnel comprises a fixed component and a performance-related component. The fixed component reflects the market worth of the job and varies with responsibilities, qualifications and experience of the individual, as well as general employment conditions within the industry. The performance-related component ensures the alignment of interests between the Executive Directors and key management personnel, with that of the shareholders' and other stakeholder groups by factoring in various performance indicators, such as the performance of the Group and the performance and contribution of the individual towards achieving the objectives of the Group.

The fixed component comprises Directors' fees, salary and other benefits. The fixed component of the remuneration of each Executive Director and key management personnel is disclosed in bands of S\$250,000 with breakdown of the fixed component in percentage terms on page 51 of the Annual Report. The actual remuneration of each Executive Director and key management personnel is not disclosed. As explained in page 51 of the Annual Report, the RC has considered the practice of the industry and the advantages and disadvantages of such disclosure. The Group believes that such disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in.

The performance-related component relates to the performance shares given to selected employees of the Group under its performance share plan approved by the shareholders. Shareholders' approval is sought yearly at the Annual General Meeting to grant performance share awards under the performance share plan. The vesting of performance shares is conditional upon the achievement of pre-determined performance targets over a performance period. Further information on the performance share plan is disclosed in pages 60 and 129 of the Annual Report. As disclosed in page 50 of the Annual Report, no performance shares have been awarded after 2017. For performance share awarded in the past and subsequently vested in FY2019, the Executive Directors and key management personnel had opted to assign their entitlement to the other eligible employees as part of the Group's efforts to recognise employees' contribution during this challenging time.

Having accorded due regard to the aforesaid disclosures and remuneration practices adopted by the Company, the Board is of the view that the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation are consistent with the intent of Principle 8 of the Code.

Trading of the Company's securities on the SGX-ST has been voluntarily suspended by the Company on 28 February 2018.

Shareholders and Noteholders are advised to read this announcement and any further announcements by the Company carefully. There is no certainty or assurance as at the date of this announcement that any discussions or prospects will be successfully concluded or any definitive agreements in relation to any transactions will be entered

into. Shareholders and Noteholders should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

By Order of the Board of
Pacific Radiance Ltd.

Pang Yoke Min
Executive Chairman

9 June 2020