Company Registration No. 200609894C

Pacific Radiance Ltd. and its Subsidiaries

Condensed interim financial statements

For the twelve months ended 31 December 2021 (4Q 2021) (12M 2021)

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Condensed interim consolidated statement of profit or loss and other comprehensive income

		Group						
		4Q 2021			4Q 2020			
	Note	*Continuing Operations* US$'000	*Discontinued Operations* US$'000	*Total* US$'000	*Continuing Operations* US$'000	*Discontinued Operations* US$'000	*Total* US$'000	%
Revenue	5	2,131	11,604	13,735	2,741	10,962	13,703	(0)
Cost of sales		(2,364)	(8,263)	(10,627)	(2,464)	(10,787)	(13,251)	(20)
Gross profit		(233)	3,341	3,108	277	175	452	NM
Other operating income		509	260	769	1,802	520	2,322	(67)
General and administrative expenses		(1,428)	(1,316)	(2,744)	(2,434)	(1,584)	(4,018)	(32)
Other operating expenses		(1,778)	(25,951)	(27,729)	(4,213)	(30,983)	(35,196)	(21)
Finance costs		(513)	(4,837)	(5,350)	(728)	(3,963)	(4,691)	14
Share of results of joint ventures		–	–	–	–	–	–	NM
Share of results of associates		–	–	–	–	–	–	NM
Loss before taxation	6	(3,443)	(28,503)	(31,946)	(5,296)	(35,835)	(41,131)	(22)
Taxation	7	60	(333)	(273)	39	131	170	NM
Loss for the period		(3,383)	(28,836)	(32,219)	(5,257)	(35,704)	(40,961)	(21)
Other comprehensive income:								
Items that may be reclassified subsequently to profit or loss:								
Foreign currency translation		(361)	–	(361)	(1,839)	(17)	(1,856)	(81)
Foreign currency translation, reclassified to profit or loss		–	–	–	–	–	–	NM
Other comprehensive income for the period, net of tax		(361)	–	(361)	(1,839)	(17)	(1,856)	(81)
Total comprehensive income for the period		(3,744)	(28,836)	(32,580)	(7,096)	(35,721)	(42,817)	(24)
Loss for the period attributable to:								
Equity holders of the Company		(3,456)	(28,860)	(32,316)	(5,222)	(35,935)	(41,157)	(21)
Non-controlling interests		73	24	97	(35)	231	196	(51)
		(3,383)	(28,836)	(32,219)	(5,257)	(35,704)	(40,961)	(21)
Total comprehensive income for the period attributable to:								
Equity holders of the Company		(3,817)	(28,860)	(32,677)	(7,061)	(35,952)	(43,013)	(24)
Non-controlling interests		73	24	97	(35)	231	196	(51)
		(3,744)	(28,836)	(32,580)	(7,096)	(35,721)	(42,817)	(24)
Loss per share attributable to equity holders of the Company								
Basic (US cents per share)		(0.5)	(4.0)	(4.5)	(0.7)	(5.1)	(5.8)	
Diluted (US cents per share)		(0.5)	(4.0)	(4.5)	(0.7)	(5.1)	(5.8)	

NM: Not Meaningful

Condensed interim consolidated statement of profit or loss and other comprehensive income

		Group						
		12M 2021			12M 2020			
	Note	*Continuing Operations* US$'000	*Discontinued Operations* US$'000	*Total* US$'000	*Continuing Operations* US$'000	*Discontinued Operations* US$'000	*Total* US$'000	%
Revenue	5	9,848	48,959	58,807	8,933	54,587	63,520	(7)
Cost of sales		(9,703)	(45,471)	(55,174)	(8,202)	(48,031)	(56,233)	(2)
Gross profit		145	3,488	3,633	731	6,556	7,287	(50)
Other operating income		12,178	729	12,907	15,304	1,231	16,535	(22)
General and administrative expenses		(7,089)	(5,403)	(12,492)	(8,268)	(6,316)	(14,584)	(14)
Other operating expenses		(4,083)	(26,320)	(30,403)	(10,998)	(35,618)	(46,616)	(35)
Finance costs		(2,121)	(16,467)	(18,588)	(3,508)	(17,232)	(20,740)	(10)
Share of results of joint ventures		–	–	–	568	–	568	(100)
Share of results of associates		2,397	–	2,397	–	–	–	NM
Profit/(loss) before taxation	6	1,427	(43,973)	(42,546)	(6,171)	(51,379)	(57,550)	(26)
Taxation	7	(70)	(1,610)	(1,680)	(47)	(845)	(892)	88
Profit/(loss) for the period		1,357	(45,583)	(44,226)	(6,218)	(52,224)	(58,442)	(24)
Other comprehensive income:								
<u>Items that may be reclassified subsequently to profit or loss:</u>								
Foreign currency translation		989	–	989	(976)	15	(961)	NM
Foreign currency translation, reclassified to profit or loss		–	90	90	–	(75)	(75)	NM
Other comprehensive income for the period, net of tax		989	90	1,079	(976)	(60)	(1,036)	NM
Total comprehensive income for the period		2,346	(45,493)	(43,147)	(7,194)	(52,284)	(59,478)	(27)
Profit/(loss) for the period attributable to:								
Equity holders of the Company		1,390	(45,549)	(44,159)	(6,069)	(52,576)	(58,645)	(25)
Non-controlling interests		(33)	(34)	(67)	(149)	352	203	NM
		1,357	(45,583)	(44,226)	(6,218)	(52,224)	(58,442)	(24)
Total comprehensive income for the period attributable to:								
Equity holders of the Company		2,379	(45,459)	(43,080)	(7,045)	(52,636)	(59,681)	(28)
Non-controlling interests		(33)	(34)	(67)	(149)	352	203	NM
		2,346	(45,493)	(43,147)	(7,194)	(52,284)	(59,478)	(27)
Earnings/(loss) per share attributable to equity holders of the Company								
Basic (US cents per share)		0.2	(6.4)	(6.2)	(0.9)	(7.3)	(8.2)	
Diluted (US cents per share)		0.2	(6.4)	(6.2)	(0.9)	(7.3)	(8.2)	

NM: Not Meaningful

Balance sheets

	Note	Group 31 December 2021 US$'000	Group 31 December 2020 US$'000	Company 31 December 2021 US$'000	Company 31 December 2020 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	43,380	209,299	–	–
Investment in subsidiaries		–	–	–	–
Investment in associates		–	–	–	–
Investment in joint ventures		–	–	–	–
Investment securities		–	–	–	–
Club memberships		140	140	–	–
Amounts due from related companies		4,641	55,405	–	–
		48,161	264,844	–	–
Current assets					
Inventories		544	738	–	–
Trade receivables	9	22,004	18,747	–	–
Other receivables		2,772	6,245	56	2,755
Amounts due from related companies	10	58,174	18,405	–	149,323
Investment securities		9	8	–	–
Assets held for sale	12	139,122	1,225	–	–
Cash and bank balances		21,591	19,076	1,468	138
		244,216	64,444	1,524	152,216
Total assets		292,377	329,288	1,524	152,216
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables		13,298	12,642	–	–
Other liabilities		131,041	113,157	15,478	13,041
Amounts due to related companies		10,479	7,679	168,329	236,818
Bank loans	14	386,584	397,094	–	–
Notes payable	15	74,110	75,660	74,110	75,660
Provision for taxation		1,268	1,222	–	–
Lease liabilities		983	1,231	–	–
		617,763	608,685	257,917	325,519
Net current liabilities		(373,547)	(544,241)	(256,393)	(173,303)

Balance Sheets

	Note	Group 31 December 2021 US$'000	Group 31 December 2020 US$'000	Company 31 December 2021 US$'000	Company 31 December 2020 US$'000
Non-current liabilities					
Other liabilities		9,458	11,717	–	–
Provisions		248	251	–	–
Deferred tax liabilities		2,645	2,713	–	–
Lease liabilities		7,331	7,843	–	–
		19,682	22,524	–	–
Total liabilities		637,445	631,209	257,917	325,519
Net liabilities		(345,068)	(301,921)	(256,393)	(173,303)
Equity attributable to equity holders of the Company					
Share capital	16	162,854	162,854	162,854	162,854
Treasury shares	16	(2,135)	(2,135)	(2,135)	(2,135)
Accumulated losses		(485,863)	(441,744)	(417,049)	(333,959)
Other reserves		(8,113)	(9,152)	(63)	(63)
		(333,257)	(290,177)	(256,393)	(173,303)
Non-controlling interests		(11,811)	(11,744)	–	–
Total equity		(345,068)	(301,921)	(256,393)	(173,303)

Condensed interim statements of changes in equity

	Share capital	Treasury Shares	Accumul-ated losses	Total other reserves	Foreign currency translation reserve	Employee share-based payments reserve	Hedging reserve	Defined benefit plans	Capital reserve	Total	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
The Group												
Balance at 1 January 2021	162,854	(2,135)	(441,744)	(9,152)	(2,748)	170	114	126	(6,814)	(290,177)	(11,744)	(301,921)
Loss for the year	–	–	(44,159)	–	–	–	–	–	–	(44,159)	(67)	(44,226)
Other comprehensive income												
- Foreign currency translation	–	–	–	989	989	–	–	–	–	989	–	989
- Reclassification to profit or loss upon disposal of subsidiary	–	–	–	90	90	–	–	–	–	90	–	90
Total comprehensive income for the year	–	–	(44,159)	1,079	1,079	–	–	–	–	(43,080)	(67)	(43,147)
Transfers within equity	–	–	40	(40)	–	–	–	(40)	–	–	–	–
Balance at 31 December 2021	162,854	(2,135)	(485,863)	(8,113)	(1,669)	170	114	86	(6,814)	(333,257)	(11,811)	(345,068)
Balance at 1 January 2020	162,854	(2,290)	(383,099)	(7,968)	(1,712)	228	114	126	(6,724)	(230,503)	(11,947)	(242,450)
Loss for the year	–	–	(58,645)	–	–	–	–	–	–	(58,645)	203	(58,442)
Other comprehensive income												
- Foreign currency translation	–	–	–	(961)	(961)	–	–	–	–	(961)	–	(961)
- Reclassification to profit or loss upon disposal of subsidiary	–	–	–	(75)	(75)	–	–	–	–	(75)	–	(75)
Total comprehensive income for the year	–	–	(58,645)	(1,036)	(1,036)	–	–	–	–	(59,681)	203	(59,478)
Contributions by and distributions to equity holders												
- Treasury shares reissued pursuant to employee share award plan	–	155	–	(155)	–	(65)	–	–	(90)	–	–	–
- Grant of equity-settled performance share awards to employees	–	–	–	7	–	7	–	–	–	7	–	7
Total contributions by and distributions to equity holders	–	155	–	(148)	–	(58)	–	–	(90)	7	–	7
Balance at 31 December 2020	162,854	(2,135)	(441,744)	(9,152)	(2,748)	170	114	126	(6,814)	(290,177)	(11,744)	(301,921)

Condensed interim statements of changes in equity

	Share capital	Treasury Shares	Accumu-lated losses	Total other reserves	Employee share-based payments reserve	Capital reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
The Company							
Balance at 1 January 2021	162,854	(2,135)	(333,959)	(63)	170	(233)	(173,303)
Loss for the year	–	–	(83,090)	–	–	–	(83,090)
Total comprehensive income for the year	–	–	(83,090)	–	–	–	(83,090)
Balance at 31 December 2021	162,854	(2,135)	(417,049)	(63)	170	(233)	(256,393)
Balance at 1 January 2020	162,854	(2,290)	(323,766)	85	228	(143)	(163,117)
Loss for the year	–	–	(10,193)	–	–	–	(10,193)
Total comprehensive income for the year	–	–	(10,193)	–	–	–	(10,193)
Contributions by and distributions to equity holders:							
- Treasury shares reissued pursuant to employee share award plan	–	155	–	(155)	(65)	(90)	–
- Grant of equity-settled performance share awards to employees	–	–	–	7	7	–	7
Total contributions by and distributions to equity holders	–	155	–	(148)	(58)	(90)	7
Balance at 31 December 2020	162,854	(2,135)	(333,959)	(63)	170	(233)	(173,303)

Condensed interim consolidated statement of cash flows

	Note	12M 2021 US$'000	12M 2020 US$'000
Cash flows from operating activities:			
Loss before taxation		(42,546)	(57,550)
Adjustments for:			
Depreciation of property, plant and equipment		12,711	15,537
Recognition of financial guarantee liabilities		2,094	235
Finance costs		18,588	20,740
Interest income		(139)	(562)
Share of results of joint ventures		–	(568)
Share of results of associates		(2,397)	–
Loss on disposal of property, plant and equipment, net		329	180
Loss on disposal of assets held for sale		–	22
Impairment of doubtful receivables, net	9	279	3,211
Impairment of amounts due from related companies	10	12,986	16,702
Impairment of property, plant and equipment		14,715	23,213
Impairment of assets held for sale	6	–	43
Impairment of investment in joint venture	6	–	964
Fair value movement on investment securities		–	50
Recognition of deferred capital grant income	6	(297)	–
Net gain on debt forgiveness of bank loans	6	(9,265)	(13,329)
Net fair value (gain)/loss on held for trading investment securities		(1)	35
Share-based payment expense		–	7
Exchange differences		(1,511)	1,474
Operating cash flows before changes in working capital		5,546	10,404
(Increase)/decrease in trade and other receivables		(3,101)	8,089
Decrease/(increase) in amounts due from/to related companies, net		5,195	(3,367)
Decrease in inventories		194	60
Decrease in trade payables and other liabilities		(28)	(5,304)
Cash generated from operations		7,806	9,882
Taxes paid		(1,516)	(1,036)
Interest paid		(695)	(1,588)
Interest received		8	23
Net cash flows generated from operating activities		5,603	7,281

Condensed interim consolidated statement of cash flows

	Note	12M 2021 US$'000	12M 2020 US$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment		(1,901)	(4,815)
Proceeds from sale of property, plant and equipment		–	336
Proceeds from sale of assets held for sale		1,250	1,680
Proceeds from sale of club membership		–	6
Proceeds from sale of a joint venture		–	2,135
Loans to related companies, net		(3,000)	(2,075)
Dividend income from a joint venture		–	460
Deposit refunded for proposed acquisition of a company		2,700	–
Net cash flows used in investing activities		(951)	(2,273)
Cash flows from financing activities:			
Payment of principal portion of lease liabilities		(647)	(203)
Repayment of bank loans		(1,489)	(3,765)
Cash and bank balances released as securities		1,433	1,482
Net cash flows used in financing activities		(703)	(2,486)
Net increase in cash and bank balances		3,949	2,522
Effect of exchange rate changes on cash and bank balances		(1)	23
Cash and bank balances at beginning of the year		17,641	15,096
Cash and bank balances at end of the year		21,589	17,641
Breakdown of cash and bank balances at end of the period:			
Cash and bank balances as per balance sheet		21,591	19,076
Cash pledged		(2)	(1,435)
		21,589	17,641

Notes to the condensed interim consolidated financial statements

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"). These condensed interim consolidated financial statements as at and for the twelve months ended 31 December 2021 comprise the Company and its subsidiaries (collectively, the "Group"). The principal activity of the Company is investment holding.

The principal activities of the Group are:
(a) owning, managing, chartering and operating of offshore support vessels and dive support vessels; and
(b) ship repair.

2. Basis of preparation

The condensed interim consolidated financial statements for the twelve months ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

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

As at 31 December 2021, the Company's current and total liabilities exceeded its current and total assets by US$256,393,000 (31 December 2020: US$173,303,000). For the twelve months ended 31 December 2021, the Group incurred a net loss of US$44,226,000 (12M 2020: US$58,442,000). As at 31 December 2021, the Group's current liabilities exceeded its current assets by US$373,547,000 (31 December 2020: US$544,241,000) and its total liabilities exceeded its total assets by US$345,068,000 (31 December 2020: US$301,921,000).

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.

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. 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 30 June 2022 to allow more time to complete the restructuring.

Since 2020, the Group has been in discussion with the major secured creditors of the Group (the "Secured Lenders") and a financier, ENAV Offshore Mexico S De RL de CV ("ENAV") on the restructuring of the financial indebtedness of the Group ("Debt Restructuring Plan").

2. Basis of preparation (cont'd)

The Debt Restructuring Plan includes, amongst other things:

a) the consensual directed transfer of the 33 secured vessels and accompanying income and revenue streams (the "Sale Vessels") to the ENAV Radiance Pte. Ltd. (the "Purchaser"), an affiliate of ENAV, in consideration for the Purchaser procuring the consensual discharge of approximately US$200 million of the secured indebtedness presently owed by the Group to the Secured Lenders (including the release and/or discharge of mortgages, assignments of charter and charter earnings, amongst others) ("Proposed Disposal");

b) the restructuring of the remaining debt obligations (which will then be unsecured) in relation to the Sale Vessels owed to three (3) of the Secured Lenders which would still remain after completion of the Proposed Disposal and other unsecured creditors (including trade creditors), via court-sanctioned schemes of arrangement of the Company's two (2) subsidiaries, Pacific Crest Pte. Ltd. ("PCPL") and CSI Offshore Pte. Ltd. ("CSIO"), which hold the majority of the Sale Vessels ("Proposed Schemes of Arrangement"). In this regard, the three (3) Secured Lenders have undertaken to attend and vote in favour of the Proposed Schemes of Arrangement;

c) in relation to one (1) of the Secured Lenders, the consensual restructuring of the loan associated with the Company's office and shipyard complex;

d) in relation to two (2) of the Secured Lenders, the consensual restructuring of the unsecured debt obligations of the Group (apart from PCPL and CSIO);

e) the consensual restructuring of the S$100,000,000 4.30 Per Cent. Notes Due 2020 comprised in Series 001 (ISIN: SG6SF2000004) issued under the S$1,000,000,000 multicurrency debt issuance programme of the Company ("Notes") pursuant to a consent solicitation exercise ("Consent Solicitation Exercise"). In this regard, the extraordinary resolution pursuant to the Consent Solicitation Exercise was approved by holders of the Notes on 21 April 2021;

f) in relation to three (3) of the Secured Lenders (the "Entitled Lenders"), the consensual restructuring of various cross-currency swap facilities entered into in connection with the Notes;

g) the Company (and/or its relevant affiliates) entering into ship management agreements with the Purchaser (and/or its affiliates) to manage the majority of the Sale Vessels after completion of the Proposed Disposal; and

h) a special purpose vehicle wholly owned by Mr. Pang Wei Meng (executive director of the Company) and Mr. Pang Wei Kuan, James (acting chief executive officer of the Company) ("Pang SPV") and ENAV (or its affiliate) entering into a shareholders' agreement setting out the terms governing their relationship as shareholders in the Purchaser (please refer to paragraph 3.2 below for more information in relation to the Purchaser and the aforementioned shareholders' agreement).

In addition, as part of the Debt Restructuring Plan, the Group propose to issue shares to (i) the noteholders, (ii) the Entitled Lenders, and (iii) Mr. Pang Yoke Min, Mr. Pang Wei Meng, Mr. Pang Wei Kuan, James (collectively, the "PRL Key Management") ("Proposed Share Issuances"). Thereafter the existing ordinary shares in the share capital of the Company will be consolidated on the basis of every ten existing shares into one consolidated ordinary share. Upon completion of the share consolidation, the shareholders of the Company (excluding the noteholders and Entitled Lenders) and PRL Key Management will be issued new warrants in the consolidated share capital of the Company ("Proposed Warrant Issuances").

2. Basis of preparation (cont'd)

On 26 October 2021, the Group has entered into a conditional agreement ("Consensual Sale Agreement") with the Secured Lenders and Purchaser to effect the Proposed Disposal. On 26 January 2022, the Group has entered into management agreements with the Purchaser for the management of the majority of the Sale Vessel ("Management Agreements") and memoranda of agreement with the Purchaser in relation to the transfer and delivery of the Sale Vessels ("MOAs").

SGX-ST has on 4 February 2022 granted its approval in-principle for the listing and quotation of shares to be issued under the Proposed Share Issuances, the consolidated shares, the warrants to be issued to shareholders under the Proposed Warrant Issuances (excluding PRL Key Management), and the warrant shares pursuant to the exercise of the warrants under the Proposed Warrant Issuances.

An extraordinary general meeting was held on 23 February 2022 and the shareholders has approved the Proposed Disposal, the restructuring of the notes payable, the Proposed Share Issuances, the share consolidation and the Proposed Warrant Issuances.

Taking into consideration that the Consensual Sale Agreement, Management Agreements and the MOAs has been executed, the moratoria extended by the Court and the approval of the restructuring of notes payable by the noteholders and shareholders, the approval of the Proposed Disposal, the Proposed Share Issuances and the Proposed Warrant Issuances by the shareholders, 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.

2.1 New and amended standards adopted by the Group

On 1 January 2021, the Group and the Company adopted all new and revised SFRS(I)s and INT SFRS(I)s that are relevant to its operations and are effective for annual periods beginning on or after 1 January 2021. The adoption of new/revised SFRS(I)s and INT SFRS(I)s did not have any significant impact on the financial statements of the Group.

2.2 Use of 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.

The significant judgements made by management in applying the Groups accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020, except for the significant judgement on assets held for sale (refer to Note 12).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.2 Use of judgements and estimates (cont'd)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 13 – Impairment of property, plant and equipment;
- Note 9 and Note 10 – Provision for expected credit losses of trade receivables and amounts due from related companies; and
- Note 14 – Estimating the finance costs, carrying amount of bank loans and associated accrued interest payables.

3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4 Segment Information

For management purposes, the Group's continuing operation is organised into two main operating business divisions based on their services and products:

I. The Ship Management business is engaged in managing, chartering and operating of offshore vessels supporting the offshore oil and gas industry.

II. The Shipyard Business is engaged in ship-repair activities.

As disclosed in Note 2 and Note 12, the Group will transfer the Sale Vessels to the Purchaser under the Proposed Disposal. The business of owning and chartering of the Sale Vessels were previously presented under the Offshore Support Services business and Subsea Services business segments of the Group. With the Sale Vessels being classified as discontinued operations, the Offshore Support Services business and Subsea Services business segments are no longer presented in this Note.

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.

4 Segment Information (cont'd)

4Q 2021	Ship management business US$'000	Shipyard business US$'000	Total for continuing operations US$'000
Revenue:			
Sales	985	1,274	2,259
Inter-segment sales (Note A)	(45)	(83)	(128)
Sales to external customers	940	1,191	2,131
Results:			
Interest income	–	–	–
Finance costs	(96)	(417)	(513)
Depreciation and amortisation	(20)	(721)	(741)
Share of results of joint ventures	–	–	–
Share of results of associates	–	–	–
Impairment of property, plant and equipment	–	–	–
Other non-cash expenses (Note B)	(304)	(871)	(1,175)
Segment profit/(loss)	(1,156)	(2,287)	(3,443)

4Q 2020	Ship Management business US$'000	Shipyard business US$'000	Total for continuing operations US$'000
Revenue:			
Sales	1,443	1,609	3,052
Inter-segment sales (Note A)	(100)	(211)	(311)
Sales to external customers	1,343	1,398	2,741
Results:			
Interest income	130	-	130
Finance costs	(259)	(469)	(728)
Depreciation and amortisation	(28)	(720)	(748)
Share of results of joint ventures	–	–	–
Impairment of property, plant and equipment	–	–	–
Other non-cash expenses (Note B)	(1,030)	5	(1,025)
Segment loss	(4,288)	(1,008)	(5,296)

4 Segment Information (cont'd)

	Ship Management business US$'000	**Shipyard business** US$'000	**Total for continuing operations** US$'000
12M 2021			
Revenue:			
Sales	5,210	6,349	11,559
Inter-segment sales (Note A)	(180)	(1,531)	(1,711)
Sales to external customers	5,030	4,818	9,848
Results:			
Interest income	125	–	125
Finance costs	(481)	(1,640)	(2,121)
Depreciation and amortisation	(80)	(2,915)	(2,995)
Share of results of joint ventures	–	–	–
Share of results of associates	2,397	–	2,397
Impairment of property, plant and equipment	–	(635)	(635)
Other non-cash expenses (Note B)	(2,256)	(863)	(3,119)
Segment profit/(loss)	8,304	(6,877)	1,427

	Ship Management business US$'000	**Shipyard business** US$'000	**Adjustment** (Note D) US$'000	**Total** US$'000
As at 31 December 2021				
Segment assets:				
Investment in associates	–	–	–	–
Investment in joint ventures	–	–	–	–
Additions to non-current assets (Note C)	–	19	1,882	1,901
Segment assets	108,569	44,686	139,122	292,377
Segment liabilities	573,556	63,889	–	637,445

4 Segment Information (cont'd)

	Ship Management business US$'000	Shipyard business US$'000	Total for continuing operations US$'000
12M 2020			
Revenue:			
Sales	4,597	6,541	11,138
Inter-segment sales (Note A)	(235)	(1,970)	(2,205)
Sales to external customers	4,362	4,571	8,933
Results:			
Interest income	535	–	535
Finance costs	(1,401)	(2,107)	(3,508)
Depreciation and amortisation	(73)	(2,849)	(2,922)
Share of results of joint ventures	568	–	568
Impairment of property, plant and equipment	–	–	–
Impairment of assets held for sale	(43)	–	(43)
Other non-cash expenses (Note B)	(9,107)	9	(9,098)
Segment loss	(1,519)	(4,652)	(6,171)

	Ship Management business US$'000	Shipyard business US$'000	Adjustment (Note D) US$'000	Total US$'000
As at 31 December 2020				
Segment assets:				
Investment in associates	–	–	–	–
Investment in joint ventures	–	–	–	–
Additions to non-current assets (Note C)	229	5	4,581	4,815
Segment assets	116,371	51,921	160,996	329,288
Segment liabilities	566,231	64,978	–	631,209

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.

Note D: Pertain to assets held for sale (Note 12) as additions made to those vessels as at 31 December 2021. For 31 December 2020, the amount pertains to the net book value of the vessels classified as held for sale in FY2021 and the related additions.

5. Disaggregation of revenue

Segments	Ship Management business US$'000	Shipyard business US$'000	Total for continuing operations US$'000
4Q 2021			
Type of services			
Lease revenue	549	–	549
Other ancillary time charter revenue	290	–	290
Ship repair income	–	1,186	1,186
Ship management fee income	101	–	101
Others	–	5	5
	940	1,191	2,131
Timing of transfer of services			
At a point in time	–	1,191	1,191
Over time	940	–	940
	940	1,191	2,131

Segments	Ship Management business US$'000	Shipyard business US$'000	Total for continuing operations US$'000
4Q 2020			
Type of services			
Lease revenue	630	–	630
Other ancillary time charter revenue	653	–	653
Ship repair income	–	1,392	1,392
Ship management fee income	60	–	60
Others	–	6	6
	1,343	1,398	2,741
Timing of transfer of services			
At a point in time	–	1,398	1,398
Over time	1,343	–	1,343
	1,343	1,398	2,741

5. Disaggregation of revenue (cont'd)

Segments	Ship Management business US$'000	Shipyard business US$'000	Total for continuing operations US$'000
12M 2021			
Type of services			
Lease revenue	2,040	–	2,040
Other ancillary time charter revenue	2,615	–	2,615
Ship repair income	–	4,793	4,793
Ship management fee income	375	–	375
Others	–	25	25
	5,030	4,818	9,848
Timing of transfer of services			
At a point in time	–	4,818	4,818
Over time	5,030	–	5,030
	5,030	4,818	9,848
12M 2020			
Type of services			
Lease revenue	2,176	–	2,176
Other ancillary time charter revenue	1,905	–	1,905
Ship repair income	–	4,543	4,543
Ship management fee income	281	–	281
Others	–	28	28
	4,362	4,571	8,933
Timing of transfer of services			
At a point in time	–	4,571	4,571
Over time	4,362	–	4,362
	4,362	4,571	8,933

5. Disaggregation of revenue (cont'd)

Intercompany revenue

Upon the completion of the Debt Restructuring Plan, the Group will pivot into an asset-light full-fledged ship manager and continue to offer its expertise and services in the offshore marine industry. The Group will manage the majority of the Sale Vessels post completion of the Proposed Disposal. ENAV will also undertake to dry dock the Sale Vessels operating in Southeast Asia region at the Group's shipyard, subject to the yard availability and competitive pricing. Prior to the completion of the Debt Restructuring Plan, the ship management and ship repair services for the Sale Vessels were performed in-house by the Group's subsidiaries. The revenue from these services are not reflected in the statement of profit or loss and in the disaggregated revenue as they are eliminated upon consolidation. The intercompany sales are as follows:

	Ship Management business	**Shipyard business**	**Total**
	US$'000	US$'000	US$'000
12M 2021	180	1,531	1,711
12M 2020	235	1,970	2,205

Apart from chartering of its owned vessels, the Group also charters vessels owned by its joint venture and associate companies to third party customers. The gross profit/(loss) from chartering of the vessels not owned by its subsidiaries are as follow:

	US$'000
12M 2021	1,070
12M 2020	(120)

Geographical information

Revenue is based on the geographical location in which the services are performed.

	Group		**Group**	
	4Q 2021	**4Q 2020**	**12M 2021**	**12M 2020**
	US$'000	US$'000	US$'000	US$'000
Asia [1]	567	41	2,860	198
Singapore	1,276	1,980	5,024	6,301
Middle East	265	690	1,853	2,274
Latin America	23	30	111	160
	2,131	2,741	9,848	8,933

[1] Asia includes Papua New Guinea, Thailand and Malaysia.

6. Loss before taxation for continuing operations

6.1. Significant items

	Group		Group	
	4Q 2021	**4Q 2020**	**12M 2021**	**12M 2020**
	US$'000	US$'000	US$'000	US$'000
Income				
Gain on debt forgiveness of bank loan	–	1,452	9,265	13,329
Foreign exchange gains, net	–	–	1,666	–
Interest income	–	130	125	535
Recognition of deferred capital grant income	297	–	297	–
Writeback of provision for tax in respect of prior years	137	91	137	91
Expenses				
Depreciation of property, plant and equipment (included in cost of sales)	546	555	2,212	2,161
Depreciation of property, plant and equipment (included in general and administrative expenses)	195	193	783	761
Impairment/(writeback of impairment) of doubtful receivables, net	8	(13)	15	9
Impairment of amounts due from related companies, net	1,167	988	3,104	8,075
Loss on disposal of property, plant and equipment, net	–	22	329	202
Impairment of property, plant and equipment	–	–	635	–
Impairment of assets held for sale	–	43	–	43
Impairment of investment securities	–	50	–	50
Impairment of investment in joint venture	–	–	–	964
Interest expense on bank loans carried at amortised cost	432	469	1,411	2,654
Foreign exchange losses, net	603	3,117	–	1,581
Net fair value loss/(gain) on held for trading investment securities	1	7	(1)	35

6.2 Related party transactions

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		Group	
	4Q 2021	**4Q 2020**	**12M 2021**	**12M 2020**
	US$'000	US$'000	US$'000	US$'000
Income				
Charter hire income:				
- Joint ventures	283	–	583	–
Ship repair income:				
- Associates	–	24	777	381
- Joint ventures	–	3	–	95
Interest income from:				
- Joint ventures	–	127	122	499
Management fee income from:				
- Joint ventures	54	54	216	250
Ship management fee income from:				
- Joint ventures	18	30	108	122
Miscellaneous income from:				
- Joint ventures	–	11	14	84
Expense				
Charter hire expense and other cost of sales to:				
- Joint ventures	–	860	1,094	860
Interest expense to:				
- A shareholder of a subsidiary	76	160	306	392

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group		Group	
	4Q 2021	**4Q 2020**	**12M 2021**	**12M 2020**
	US$'000	US$'000	US$'000	US$'000
Current income tax expense	(100)	(51)	(8)	(51)
Withholding tax expense	40	12	78	98
	(60)	(39)	70	47

8. Net asset value

	Group		Company	
	As at 31 December 2021	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2020**
Net liability value (US$'000)	(333,257)	(290,177)	(256,393)	(173,303)
Total number of ordinary shares issued ('000)	715,428	715,428	715,428	715,428
Net liability value per ordinary share (US cents)	(46.6)	(40.6)	(35.8)	(24.2)

9. Trade receivables

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

	Group	
	As at 31 December 2021 US$'000	**As at 31 December 2020** US$'000
Movement in allowance accounts:		
At 1 January	13,917	11,041
Charge for the year	295	3,277
Write back of allowance	(16)	(66)
Written off during the year	(225)	(349)
Exchange differences	–	14
At end of financial year	13,971	13,917

10. Amounts due from related companies

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.

The movement in allowance accounts is as follows:

	Group		Company	
	As at 31 December 2021	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2020**
	US$'000	US$'000	US$'000	US$'000
Movement in allowance accounts:				
At 1 January	101,082	89,660	280,232	276,337
Charge for the year	12,986	16,702	83,003	1,521
ECL adjustment to interest income	970	554	–	–
Written off during the period	–	(5,999)	–	–
Exchange differences	(107)	165	(2,620)	2,374
At end of financial year	114,931	101,082	360,615	280,232

11. 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.

11. Fair values of financial instruments (cont'd)

(ii) ***Fair value of financial instruments that are carried at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	31 December 2021 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			
Quoted equity securities	9	–	9
Equity securities at FVOCI			
Unquoted equity securities	–	–	–
Financial assets as at 31 December 2021	9	–	9

	31 December 2020 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			
Quoted equity securities	8	–	8
Equity securities at FVOCI			
Unquoted equity securities	–	–	–
Financial assets as at 31 December 2020	8	–	8

11. **Fair values of financial instruments (cont'd)**

(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.

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			
31 December 2021			
Assets			
Trade receivables	22,004	–	–
Other receivables	1,864	–	–
Amounts due from related companies	62,815	–	–
Investment securities	–	9	–
Cash and bank balances	21,591	–	–
	108,274	9	–
31 December 2020			
Assets			
Trade receivables	18,747	–	–
Other receivables	4,942	–	–
Amounts due from related companies	73,810	–	–
Investment securities	–	8	–
Cash and bank balances	19,076	–	–
	116,575	8	–

11. 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	
	31 December 2021	31 December 2020
	US$'000	US$'000
Group		
Liabilities		
Trade payables	13,298	12,642
Other liabilities	124,796	107,354
Amounts due to related companies	10,479	7,679
Bank loans	386,584	397,094
Notes payable	74,110	75,660
Lease liabilities	8,314	9,074
	617,581	609,503

	Financial assets at amortised cost	
	31 December 2021	31 December 2020
	US$'000	US$'000
Company		
Assets		
Other receivables	–	2,700
Amounts due from related companies	–	149,323
Cash and bank balances	1,468	138
	1,468	152,161

	Financial liabilities at amortised cost	
	31 December 2021	31 December 2020
	US$'000	US$'000
Company		
Liabilities		
Other liabilities	12,502	12,158
Amounts due to related companies	168,329	236,818
Notes payable	74,110	75,660
	254,941	324,636

12. Discontinued operations

On 26 October 2021, the Group has entered into the Consensual Sale Agreement with the Secured Lenders and Purchaser to effect the Proposed Disposal as described in Note 2. The Group has on 26 January 2022 entered into the MOAs for the transfer and delivery of the Sale Vessels. On 23 February 2022, the shareholders have approved the Proposed Disposal. The Sale Vessels are available for immediate sale and can be sold to the Purchaser in its current condition. The Proposed Disposal is expected to be completed in 2022.

The Proposed Disposal involves 33 Sale Vessels of which 28 Sale Vessels are owned by the Group's subsidiaries and 5 Sale Vessels are owned by the joint venture and associate companies. The 28 Sale Vessels were classified as assets held for sale as at 26 October 2021, and the entire results from the disposal group was presented separately on the consolidated income statement as a discontinued operation for the year ended 31 December 2021. The disposal group was previously presented under the Offshore Support Services and Subsea Services operating segments.

The net cash flows incurred by the disposal group are as follows:

	12M 2021 US$'000	**12M 2020** US$'000
Operating	9,585	10,479
Investing	(1,883)	(4,581)
Financing	–	–
Net cash inflow/(outflow)	7,702	5,898

Write-down of property, plant and equipment

Immediately before the classification of the Sale Vessels as discontinued operations, the recoverable amount was estimated for the vessels. The Group has estimated the fair value of the vessels based on the settlement consideration amount in the Consensual Sale Agreement. This is the aggregate consideration to be received by the Group via waiver and discharge of bank debts, in exchange for the transfer of the Sale Vessels. An impairment loss of US$14,080,000 was recognised on 26 October 2021 and recorded in discontinued operations in the income statement. Following the classification, no further impairment was identified to reduce the carrying amount of the vessels forming the disposal group to their fair value less costs to sell.

As at 31 December 2021, there was no further write-down as the carrying amount of the disposal group did not fall below its fair value less costs to sell.

13. Property, plant and equipment

During the twelve months ended 31 December 2021, the Group acquired assets amounting to US$1,901,000 (12M 2020: US$3,658,000) and disposed of assets with net carrying amount of US$329,000 (12M 2020: US$203,000). The Group has also reclassified its vessels amounting to US$139,122,000 (12M 2020: US$1,225,000) to assets held for sale, pursuant to effecting the Proposed Disposal on 26 October 2021, as explained in Note 12.

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.

13. Property, plant and equipment (cont'd)

As at 31 December 2021, the Group has carried out a review of the recoverable amount of its property and buildings based on the valuation report issued by an independent professional valuer and an impairment loss of US$635,000 was recognised (12M 2020: Nil).

14. Bank loans

	Group			
	Secured		Unsecured	
	As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020
	US$'000	US$'000	US$'000	US$'000
Amount repayable within one year or on demand	386,584	397,094	–	–
Amount repayable after one year	–	–	–	–

Bank loans were secured by:

- First legal mortgages over the vessels of the Group, with carrying amounts of US$Nil as at 31 December 2021 (31 December 2020: US$149,647,000);
- First legal mortgages over assets held for sale of the Group, with carrying amounts of US$139,122,000 as at 31 December 2021 (31 December 2020: US$1,225,000);
- Escrow mortgages over the buildings, shipyard and plant and equipment of the Group, with carrying amounts of US$34,433,000 as at 31 December 2021 (31 December 2020: US$38,226,000);
- 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$2,000 as at 31 December 2021 (31 December 2020: US$1,435,000).

In addition, an amount of US$386,584,000 (31 December 2020: US$397,094,000) of the Group's bank loans was secured by corporate guarantees from the Company.

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. Please refer to Note 2 for details of the debt restructuring.

The Group did not receive continuing updates from bank lenders on the computation of interest expenses post suspension of certain debt obligations and has to make various assumptions in determining the finance costs. It has relied on published market data for LIBOR as a proxy to determine the applicable interest rates for the outstanding bank loans. Interest expenses, including default interest and late payment charges for the outstanding bank loans was computed based on the terms set out in the loan facility agreements. The Group also has to exercise judgement in determining the reduction in the different components of bank loan liabilities arising from set off against bank balances by the bank lenders during the financial period.

The carrying amounts of accrued interest payables recorded under other liabilities (current) is US$85,288,000 (31 December 2020: US$68,694,000).

15. Notes payable

The notes payable were non-interest bearing (2020: non-interest bearing) 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 the 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.

On 10 February 2021, the Company commenced a consent solicitation exercise to seek approval from the noteholders for the proposed restructuring of the notes payable. The Company proposed inter alia, to redeem the notes payable by way of issuing new ordinary shares in the capital of the Company ("Redemption Shares") to the noteholders on the basis of 4,518,400 Redemption Shares for every S$250,000 in principal amount of notes payable held, and one Perpetual Security for every S$250,000 in principal amount of notes payable held (the "Redemption"). The Redemption of the notes payable will be subject to shareholders approval. The noteholders have approved the proposed restructuring of the notes payable on 21 April 2021.

16. Share capital and treasury shares

(i) *Share capital*

	Group and Company			
	31 December 2021		**31 December 2020**	
	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 Company's subsidiaries do not hold any shares in the Company as at 31 December 2021 and 31 December 2020.

16. Share capital and treasury shares (cont'd)

(ii) ***Treasury shares***

	Group and Company			
	31 December 2021		31 December 2020	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Balance at the beginning of the year	(10,327)	(2,135)	(11,098)	(2,290)
Reissued pursuant to employee share award plan				
- On vesting of employee share awards	–	–	771	–
- Transferred from employee share-based payments reserve	–	–	–	65
- Loss transferred to capital reserve	–	–	–	90
	–	–	771	155
Balance at end of the year	(10,327)	(2,135)	(10,327)	(2,135)

The Company did not acquire any treasury shares during the financial year.

17. Subsequent events

Subsequent to the year end, the Court has granted extensions of the moratoria to 30 June 2022. On 26 January 2022, the Group has entered into the Management Agreements with the Purchaser for the management of the majority of the Sale Vessel and MOAs with the Purchaser in relation to the transfer and delivery of the Sale Vessels.

SGX-ST has on 4 February 2022 granted its approval in-principle for the listing and quotation of shares to be issued under the Proposed Share Issuances, the consolidated shares, the warrants to be issued to shareholders under the Proposed Warrant Issuances (excluding PRL Key Management), and the warrant shares pursuant to the exercise of the warrants under the Proposed Warrant Issuances.

As at the date of this report, the Group has entered into agreements for the consensual restructuring of (i) various cross-currency swap facilities entered into in connection with the Notes, (ii) the unsecured debt obligations with two of the Secured Lenders; and (iii) loan associated with the Company's office and shipyard complex.

An extraordinary general meeting was held on 23 February 2022 and the shareholders has approved the Proposed Disposal, the restructuring of the notes payable, the Proposed Share Issuances, the share consolidation and the Proposed Warrant Issuances.

Other information required by Listing Rule Appendix 7.2

This announcement is pursuant to Rule 705(2) of the SGX Listing Manual.

1. Review

The condensed consolidated statement of financial position of the Group as at 31 December 2021 and the condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the twelve months ended 31 December 2021 and related explanatory notes have not been audited or reviewed.

1A. Disclaimer opinion for the latest financial statements

The auditor of the Group had issued a disclaimer of opinion for the FY2020 financial statements due to (i) use of the going concern assumption and (ii) unable to obtain sufficient appropriate audit evidence for the carrying amount of bank loan liabilities and finance costs. Details on the basis for disclaimer of opinion are stated in the independent auditor's report of the FY2020 annual report.

On item (ii):

a) The Group did not receive continuing updates from bank lenders on the computation of interest expenses post suspension of certain debt obligations and has to make various assumptions in determining the finance costs. It has relied on published market data for LIBOR as a proxy to determine the applicable interest rates for the outstanding bank loans. Interest expenses, including default interest and late payment charges for the outstanding bank loans was computed based on the terms set out in the loan facility agreements. The Group has concluded that the carrying amount of the bank loan liabilities remain reasonable and appropriate based on the contractual terms of the loan facilities.

b) The Board confirms that the impact of the mentioned issue has been adequately disclosed in the FY2020 financial statements (Note 3 of the FY2020 Group financial statements) and this set of interim condensed financial statements (Note 13).

2. Review of performance of the Group

Revenue

12M 2021 vs 12M 2020

Revenue decreased by approximately US$4.7 million or 7% from US$63.5 million in 12M 2020 to US$58.8 million in 12M 2021.

The decrease was attributed mainly to the decrease in revenue from the chartering of Offshore Support vessels of US$12.5 million or 23% from US$54.7 million for 12M 2020 to US$42.2 million for 12M 2021 due to lower utilisation of vessels.

This was partially offset by an increase in revenue from the chartering of Subsea vessels of US$7.6 million from US$4.2 million for 12M 2020 to US$11.8 million for 12M 2021 due to higher utilisation of vessels. Revenue from the ship repair services also increased by US$0.2 million or 5% from US$4.6 million for 12M 2020 to US$4.8 million for 12M 2021 due to higher completion of ship repair works.

2. Review of performance of the Group (cont'd)

Revenue (cont'd)

4Q 2021 vs 4Q 2020

Revenue increased by approximately US$0.03 million from US$13.70 million in 4Q 2020 to US$13.73 million in 4Q 2021.

The increase was attributed mainly to the increase in revenue from the chartering of Subsea vessels of US$1.5 million from US$0.6 million in 4Q 2020 to US$2.1 million in 4Q 2021 due to higher utilisation of vessels.

This was partially offset by the decrease in revenue from the chartering of Offshore Support vessels of US$1.2 million or 11% from US$11.7 million in 4Q 2020 to US$10.5 million in 4Q 2021 due to lower utilisation of vessels. Revenue from the ship repair services also decreased by US$0.2 million or 15% from US$1.4 million in 4Q 2020 to US$1.2 million in 4Q 2021 due to lower completion of ship repair works.

Gross profit

12M 2021 vs 12M 2020

Gross profit decreased by approximately US$3.6 million from US$7.3 million for 12M 2020 to US$3.6 million for 12M 2021.

The decrease was mainly attributable to weaker performances from the chartering of Offshore Support vessels and ship repair services, and partially offset by improved performance from the chartering of Subsea vessels.

4Q 2021 vs 4Q 2020

Gross profit increased by approximately US$2.6 million from US$0.5 million for 4Q 2020 to US$3.1 million for 4Q 2021.

The increase was mainly attributable to improved performances from the chartering of Offshore Support vessels and chartering of Subsea vessels, and partially offset by weaker performance from the ship repair services.

Other operating income

12M 2021 vs 12M 2020

Other operating income decreased by approximately US$3.6 million or 22% from US$16.5 million in 12M 2020 to US$12.9 million in 12M 2021.

The decrease was mainly attributable to lower gain on debt forgiveness of bank loans of US$4.1 million, lower grant income of US$0.8 million and lower interest income of US$0.4 million, and partially offset by exchange gain of US$1.6 million in 12M 2021.

4Q 2021 vs 4Q 2020

Other operating income decreased by approximately US$1.5 million or 67% from US$2.3 million in 4Q 2020 to US$0.8 million in 4Q 2021.

The decrease was mainly due to gain on debt forgiveness of bank loans of US$1.5 million in 4Q 2020 and lower interest income of US$0.1 million in 4Q 2021.

2. Review of performance of the Group (cont'd)

General and administrative expenses

12M 2021 vs 12M 2020

General and administrative expenses decreased by approximately US$2.1 million or 14% from US$14.6 million in 12M 2020 to US$12.5 million in 12M 2021.

The decrease was mainly attributable to the Group's continuing cost rationalisation and lower restructuring expenses recorded in 12M 2021.

4Q 2021 vs 4Q 2020

General and administrative expenses decreased by approximately US$1.3 million or 32% from US$4.0 million in 4Q 2020 to US$2.7 million in 4Q 2021, mainly due to lower restructuring expenses recorded in 4Q 2021.

Other operating expenses

12M 2021 vs 12M 2020

Other operating expenses decreased by approximately US$16.2 million or 35% from US$46.6 million in 12M 2020 to US$30.4 million in 12M 2021.

The decrease was mainly attributable to decrease in impairment of property, plant and equipment of US$8.5 million and decrease in doubtful debt expenses of US$6.6 million in 12M 2021, and exchange loss of US$1.9 million and impairment of investment in joint ventures of US$1.0 million recorded in 12M 2020. This was partially offset by increase in financial guarantee liabilities of US$1.9 million in 12M 2021.

4Q 2021 vs 4Q 2020

Other operating expenses decreased by approximately US$7.5 million or 21% from US$35.2 million in 4Q 2020 to US$27.7 million in 4Q 2021.

The decrease was mainly attributable to decrease in impairment of property, plant and equipment of US$5.7 million, decrease in doubtful debt expenses of US$0.8 million and lower exchange loss of US$2.8 million in 4Q 2021. This was partially offset by increase in financial guarantee liabilities of US$1.9 million in 4Q 2021.

Finance costs

12M 2021 vs 12M 2020

Finance costs decreased by approximately US$2.1 million or 10% from US$20.7 million in 12M 2020 to US$18.6 million in 12M 2021.

The decrease was mainly attributable to a decrease in interest rates and a decrease in bank loans outstanding from US$397.1 million as at 31 December 2020 to US$386.6 million as at 31 December 2021, partially offset by higher overdue interest charges.

4Q 2021 vs 4Q 2020

Finance costs increased by approximately US$0.7 million or 14% from US$4.7 million in 4Q 2020 to US$5.4 million in 4Q 2021.

The increase was mainly attributable to higher overdue interest charges.

2. Review of performance of the Group (cont'd)

Share of results of joint ventures

12M 2021 vs 12M 2020
4Q 2021 vs 4Q 2020

Share of results of joint venture was nil for 12M 2021, compared to US$0.6 million gain for 12M 2020.

Share of results of joint venture was nil for 4Q 2021 and 4Q 2020.

This was mainly attributable to the disposal of a joint venture in 3Q 2020 and the Group capped its share of losses of the other joint ventures up to its interest in these joint ventures.

Share of results of associates

12M 2021 vs 12M 2020
4Q 2021 vs 4Q 2020

Share of results of associates was US$2.4 million gain for 12M 2021 and nil for 4Q 2021, compared to nil for 12M 2020 and 4Q 2020.

This was mainly attributable to the realisation of deferred gain on sale of vessels to an associate in 1Q 2021.

Taxation

12M 2021 vs 12M 2020

Taxation expense increased by US$0.8 million or 88% from US$0.9 million for 12M 2020 to US$1.7 million for 12M 2021.

The increase was mainly attributable to lower writeback of deferred tax expense and higher withholding tax expenses in 12M 2021.

4Q 2021 vs 4Q 2020

Taxation expense of US$0.3 million was recorded in 4Q 2021 compared to taxation credit of US$0.2 million in 4Q 2020, mainly attributed to writeback of deferred tax expense in 4Q 2020.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets amounted to US$48.2 million as at 31 December 2021. The decrease in non-current assets from US$264.8 million as at 31 December 2020 was mainly due to:

(i) the decrease in property, plant and equipment by US$165.9 million mainly due to reclassification to assets held for sale of US$139.1 million, depreciation of US$12.7 million and impairment of US$14.7 million, partially offset by additions of US$1.9 million; and

(ii) the decrease in non-current portion of amounts due from related companies by US$50.8 million.

2. Review of performance of the Group (cont'd)

REVIEW OF STATEMENT OF FINANCIAL POSITION (CONT'D)

Current assets

The Group's current assets amounted to US$244.2 million as at 31 December 2021. The increase in current assets from US$64.4 million as at 31 December 2020 was mainly due to:

(i) the increase in assets held for sale by US$137.9 million;

(ii) the increase in amounts due from related companies by US$39.8 million;

(iii) the increase in trade receivables by US$3.3 million; and

(iv) the increase in cash and bank balances by US$2.5 million.

This was partially offset by:

(v) the decrease in other receivables by US$3.5 million.

Current liabilities

The Group's current liabilities amounted to US$617.8 million as at 31 December 2021. The increase in current liabilities from US$608.7 million as at 31 December 2020 was attributed mainly to:

(i) the increase in other liabilities by US$17.9 million mainly due to accrual of interest expense;

(ii) the increase in amounts due to related parties by US$2.8 million; and

(iii) the increase in trade payables by US$0.7 million.

This was partially offset by:

(iv) the decrease in current bank loans by US$10.5 million due to repayment and debt forgiveness of bank loans;

(v) the decrease in notes payable by US$1.6 million due to foreign exchange movement; and

(vi) the decrease in lease liabilities by US$0.2 million.

The Group is in negative working capital position of US$373.5 million as at 31 December 2021. The Group is in the process of restructuring its debt obligations, please refer to Note 4 for more information.

Non-current liabilities

The Group's non-current liabilities amounted to US$19.7 million as at 31 December 2021. Non-current liabilities decreased from US$22.5 million as at 31 December 2020 primarily due to the realisation of deferred gain on sale of vessels to an associate of US$2.3 million and a decrease in lease liabilities by US$0.5 million.

2. Review of performance of the Group (cont'd)

<u>REVIEW OF CASH FLOWS</u>

In 12M YTD, the Group generated net cash inflow of US$3.9 million.

Net cash inflow generated from operating activities was US$5.6 million. This was mainly due to cash inflow from operating activities before working capital changes of US$5.5 million and net working capital inflow of US$2.3 million, partially offset by net interest and taxes paid of US$2.2 million.

Net cash outflow from investing activities was US$1.0 million. This was mainly due to loans to related companies of US$3.0 million and purchase of property, plant and equipment of US$1.9 million, partially offset by the refund of deposit for proposed acquisition of a company of US$2.7 million and proceeds from sale of assets held for sale of US$1.2 million.

Net cash outflow from financing activity was US$0.7 million. This was due to the repayment of bank loans of US$1.5 million and payment of principal portion of lease liabilities of US$0.6 million, partially offset by the release of US$1.4 million pledged cash to repay the bank loans.

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

Not applicable

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

To complete the Debt Restructuring Plan, the Group will convene meetings for the Proposed Schemes of Arrangement in 2Q 2022. In this regard, the Secured Lenders involved have undertaken to attend and vote in favour of the Proposed Schemes of Arrangement.

The Group's near-term focus post-completion of the Debt Restructuring Plan will be on ship management activities. The Group believes that the ship management business model possesses significant merits, offering a relatively stable and recurring revenue stream, cost efficiencies and economies of scales associated with managing large vessel fleets. Barring unforeseen changes in the macro-economic environment, the Group believes that the ship management business is expected to stay resilient in the current challenging environment as more ship owners look to scale down their operations, contain their costs and outsource all or certain parts of their crewing, technical or commercial operations to professional ship managers. This is especially so with ship owners that operate smaller fleets, as the costs of a full suite of in-house ship management functions could be prohibitively uneconomical.

In the near term, the Group believes that there are opportunities arising from the industry crises, given the increasingly stringent operational demands imposed by international and national oil companies and the mounting pressure on smaller operators to rein in their costs, outsourcing of ship management activities by ship owners to third-party managers is set to gain pace. The Group believes that it will be able to position itself for the next phase of development by leveraging on its reputation as a quality owner-operator and drawing from its deep expertise in ship management it has built over the years to successfully transition to a full-fledged ship management business.

5. **Dividend information**

(a) **Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No.

(b) **Corresponding Period of the Immediately Preceding Financial Year**

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

No.

(c) **Date payable**

Not applicable.

(d) **Books closure date**

Not applicable.

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

6. **Interested person transactions**

The Group has not obtained a general mandate from shareholders for Interested Party Transactions.

7. **In the review of performance, the factors leading to any material change in contributions to turnover and earnings by the business or geographical segments**

Refer to part 2 and 4.

8. **Breakdown of sales**

	Group		**Increase/ Decrease)**
	12M 2021	**12M 2020**	
	US$'000	US$'000	%
Sales reported for first half year	31,832	32,793	(3)
Operating loss after tax before deducting non-controlling interests reported for first half year	(4,218)	(6,452)	(35)
Sales reported for second half year	26,975	30,727	(12)
Operating loss after tax before deducting non-controlling interests reported for second half year	(40,008)	(51,990)	(23)

9. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Not applicable.

10. Person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Pang Wei Kuan	39	Son of Mr Pang Yoke Min who is the substantial shareholder and executive chairman of the Company. Brother of Mr Pang Wei Meng who is the executive director of the Company.	Acting Chief Executive Officer Appointed from 1 January 2020. Responsible for the Group's strategic development, and oversight of the commercial, marketing, business development and QHSSE functions.	Previously Managing Director, Commercial and Business Development. (February 2013 to December 2019)
Alphonsus Ang	63	Brother-in-law of Mr Pang Yoke Min who is the substantial shareholder and executive chairman of the Company. Uncle of Mr Pang Wei Meng who is the executive director of the Company.	General Manager – Procurement. Appointed in 2007. Responsible for the development of the Group's supply chain management policies as well as the management of procurement activities in alignment with the Group's strategies and business plans.	None.
James Ang	61	Brother-in-law of Mr Pang Yoke Min who is the substantial shareholder and executive chairman of the Company. Uncle of Mr Pang Wei Meng who is the executive director of the Company.	Ship Repair Manager. Appointed in 2011. Responsible for management of the ship-repair yard.	None.

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

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

On behalf of the Board of Directors

Pang Yoke Min
Executive Chairman

Pang Wei Meng
Executive Director

24 February 2022