PACIFIC RADIANCE LTD.
COMPANY REGISTRATION NO. 200609894C

RESPONSE TO QUESTIONS RAISED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS") ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the **"Board"**) of Pacific Radiance Ltd. (the **"Company"**, and together with its subsidiaries, the **"Group"**) wishes to respond to the questions received from the SIAS in relation to the Company's annual report for the financial year ended 31 December 2022 released on 12 April 2023. The Company's responses to the questions are set out below: -

Questions from SIAS

Q1. (i) Has the Board reviewed if it has been effective at providing entrepreneurial leadership and setting strategic objectives?

(ii) Has the Board also reviewed if the necessary human resources are in place for the Group to successfully execute its strategic growth plans?

(iii) Has the nominating committee ("NC") evaluated the track records of the Executive Directors at creating and delivering long-term, sustainable value for shareholders?

As disclosed in page 24 of the annual report, the NC of the Board 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. The conclusion of the assessment is presented to the Board. The Board reviews the evaluation conducted by the NC and the recommendations made by the NC to improve the performance and effectiveness of the Board.

As disclosed in page 18 of the annual report, the Independent Directors, led by Mr Ng Tiong Gee, the Lead Independent Director of the Company, met regularly without the presence of the management team on an informal basis in the course of 2022, to discuss the debt and corporate restructuring and other matters of the Group which require additional attention. The Lead Independent Director provides feedback to the Chairman of the Board directly where appropriate.

For FY2022, the Board is of the view that the Board, the Board Committees and individual Directors, including the Executive Directors, have remained consistent and effective in guiding the management team on the debt and corporate restructuring of the Group.

The debt and corporate restructuring of the Group was a long and arduous process as the oil and gas market was plagued by series of events that affected its recovery since the start of the downturn in 2015. The Group commenced its restructuring efforts since late 2017 and after multiple attempts to secure new investors and raise new capital in the ensuing years, the proposal involving RS EES Holdings Mexico S. De R.L. De C.V. was finally accepted by the major creditors in the later half of 2021. The overriding priorities of the Board in the following year in 2022 was to ensure that the Group could successfully complete and finally emerge from its debt and corporate restructuring, and the organisational systems, processes and resources were in place and ready to execute the post-restructuring business plans.

Working closely with the management team, the Board has identified digitalisation and new growth area in renewable energy as the respective near-term and longer-term priorities of the Group. In 2022, as part of its digitalisation efforts, the Group rolled out a new marine enterprise resource planning system that supports the end-to-end operations and upscaling of the ship management business. The Group has also made inroads into the offshore wind industry with a joint venture investment in an offshore wind entity in 2022. Leveraging on this platform, the Group hopes to capture more earnings-accretive projects in the offshore wind space and grow this segment as part of its longer-term strategy.

To carry out these organisational changes within a span of a few months after restructuring would not have been possible without the depth of industry expertise and experience of the Directors and management team cumulated over the years. Of note, the expertise and know-how of the Directors and management team in offshore operations of the oil and gas industry is highly transferable to the offshore wind industry.

In addition, the Board ensures that key performance indicators set are in line with the strategic objectives of the Group and corresponding reward mechanisms supports the attraction and retention of talent required to implement and deliver its targets and goals.

Q2. (i) With reference to the announcement from the Company on 9 December 2022. Can management help shareholders understand the circumstances that led to the charterer accumulating unpaid debts of over US$2.7 million from Atlantic Maritime Group FZE ("Atlantic") of the United Arab Emirates?

(ii) Did management carry out any credit assessment prior to the charter? If so, what were the reasons that Atlantic failed to pay charter hire? Did the Group consider exercising its rights, for example, by seizing the vessel before the charter ended?

(iii) Would the Board review the Group's credit risk assessment framework and actively oversee the Group's compliance with its credit risk policies?

Please refer to the Company's announcement on 21 April 2023. Atlantic has settled the charter debts owed to the Group. The charter debts owed by Atlantic were subject to credit verification and monitoring procedures in accordance with the credit risk management practices of the Group throughout the entire period when it remained outstanding.

The credit risk management practices of the Group, including practices for ongoing credit monitoring, expected credit loss and credit write-off, is more fully described under Note 37 to the financial statements in the annual report.

All customers who trade on credit terms are subject to credit verification procedures of the Group. In addition, receivables are monitored on an ongoing basis. Significant increase in credit risk and probability of default as market conditions change are also evaluated on an ongoing basis throughout each reporting period.

The Group considers the following indicators for significant increase in credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer'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 customer;
- significant changes in the value of the collateral supporting the obligation; or
- significant changes in the behaviour of the customer, including changes in the payment status of customer.

Provision for expected credit loss, credit write-off and credit recovery are determined based on the assessment of the foregoing credit risk indicators.

Q3. (i) Can the NC elaborate further on the succession planning of directors and its strategy to achieve progressive refreshing of the board in an orderly manner?

(ii) Has the NC reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?

The Group operates in a specialised industry and knowledge of offshore marine operations and/or energy sector is a preferred criteria for incoming Independent Directors. That said, as disclosed in page 17 of the annual report, the NC has set the objective to identify and recommend suitable female director for appointment to the Board to further promote diversity of perspectives and ideas, at the appropriate time.

By Order of the Board of
Pacific Radiance Ltd.

Pang Yoke Min
Executive Chairman

27 April 2023