

# PACIFIC RADIANCE LTD.

18 July 2018



# Confidentiality, Disclaimer and Caution

## Important Notes

- **This presentation is prepared for the sole purpose of providing the holders of Series 001 notes due August 2018 (the “Notes”) with an update on the developments of the financial restructuring of Pacific Radiance Ltd (“PR” or the “Company”) and its subsidiaries and related entities (collectively the “Group”) and to present the revised proposal for the Notes to the holders of the Notes (the “Noteholders”) for their consideration.**
- This presentation is solely directed at the Noteholders. The terms contained in this presentation are strictly in proposal only and are not fully indicative of the terms of the Notes restructuring, which will be set out in a consent solicitation statement (if any).
- This presentation shall not under any circumstances create any implication that the information contained in this is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth in this presentation or in the affairs of the Company.
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# Confidentiality, Disclaimer and Caution

## Important Notes (continued)

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# Restructuring Proposal for Notes

## SGD100 million Notes to be restructured

### Option 1



- Upfront cash payment of S\$5 million<sup>(1)</sup> and deferred cash payment of S\$5 million<sup>(1)</sup> in Year 4 and **S\$5 million<sup>(1)</sup> in Year 7.**
- Deferred cash may be paid earlier if Retained Bank Loans are fully repaid.



- Upfront conversion of all Notes to shares.
- Each S\$250,000 in denomination of Notes will be converted to **2,104,000** shares upfront.
- Deemed conversion price of S\$0.101<sup>(2)</sup>.



- Each S\$250,000 in denomination of Notes to be given 125,000 warrants upfront.
- Warrants have a **4-year** exercise period at exercise price of S\$0.028.

Note:

(1) Based on S\$100 million of Notes

(2) Deemed conversion price of S\$0.101 is based on S\$85 million of Notes (excluding cash payment).

# Key Changes in Option 1

|                                                                                    | Previous Proposal<br>(18 June 2018)                                                                                                                                                                                       |   | Revised Proposal<br>(18 July 2018)                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   | <ul style="list-style-type: none"><li>• Upfront cash payment of S\$5 million.<sup>(1)</sup></li><li>• Cash payment of S\$5 million<sup>(1)</sup> in Year 4, or earlier if Retained Bank Loans are fully repaid.</li></ul> | → | <ul style="list-style-type: none"><li>• Upfront cash payment of S\$5 million.<sup>(1)</sup></li><li>• Cash payment of S\$5 million<sup>(1)</sup> in Year 4 and <b>S\$5 million<sup>(1)</sup> in Year 7</b>, or earlier if Retained Bank Loans are fully repaid.</li></ul> |
|   | <ul style="list-style-type: none"><li>• Each S\$250,000 in denomination of Notes will be converted to 2,229,500 shares upfront. Deemed conversion price of S\$0.101.</li></ul>                                            | → | <ul style="list-style-type: none"><li>• Each S\$250,000 in denomination of Notes will be converted to <b>2,104,000</b> shares upfront. Deemed conversion price of S\$0.101.</li></ul>                                                                                     |
|  | <ul style="list-style-type: none"><li>• Each S\$250,000 in denomination of Notes to be given 125,000 warrants upfront.</li><li>• Warrants have a 3-year exercise period at exercise price of S\$0.028.</li></ul>          | → | <ul style="list-style-type: none"><li>• Each S\$250,000 in denomination of Notes to be given 125,000 warrants upfront.</li><li>• Warrants have a <b>4-year</b> exercise period at exercise price of S\$0.028.</li></ul>                                                   |

Note:

(1) Based on S\$100 million of Notes

# Restructuring Proposal for Notes

## SGD100 million Notes to be restructured

### Option 2



- Redemption of Notes with equivalent amount in Convertible Bonds (CB).
- Coupon of CB at 0.25% per annum, step-up at 0.25% per annum after every 3 years.
- Maturity date in Year 9



- CB holders have the option to convert to shares before maturity date from Year 2 onwards.
- CB shall be cancelled upon conversion.
- Each S\$250,000 in denomination of CB will be converted to 2,229,500 shares.
- Deemed conversion price of S\$0.112.



- Each S\$250,000 in denomination of Notes to be given 125,000 warrants upfront.
- Warrants have a **4-year** exercise period at exercise price of S\$0.028.

# Restructuring Proposal for Notes

## SGD100 million Notes to be restructured



### Option 2 (cont'd)

- **Partial redemption - share price S\$0.075 or higher**
  - Issuer shall redeem 30%, 30% and 40% of CB in Year 7, 8 and 9 respectively if share price is S\$0.075 or higher .
  - Outstanding CB not redeemed shall be mandatorily converted to shares on maturity date at conversion price of S\$0.112.
- **Special redemption – share price lower than S\$0.075**
  - Issuer shall redeem part in cash and part in shares at the end of Year 9 if no CB has been redeemed and/or converted and share price is below S\$0.075.
  - Each S\$250,000 in denomination of CB will receive S\$50,000 in cash and 1,785,800 shares at conversion price of S\$0.112.
- **Full redemption**
  - Issuer has the option to redeem up to full amount of CB outstanding if Retained Bank Loans are fully repaid.

# Key Changes in Option 2

## Previous Proposal (18 June 2018)



- Issuer shall redeem 30%, 30% and 40% of CB in Year 7, 8 and 9 respectively if share price is higher than S\$0.075.
- Mandatory conversion of CB to shares at end of Year 9 if CB not redeemed.



- Each S\$250,000 in denomination of Notes to be given 125,000 warrants upfront.
- Warrants have a 3-year exercise period at exercise price of S\$0.028.

## Revised Proposal (18 July 2018)

- Issuer shall redeem 30%, 30% and 40% of CB in Year 7, 8 and 9 respectively if share price is S\$0.075 or higher.
- At the end of Year 9, if share price is lower than S\$0.075 and no CB has been redeemed and/or converted, each S\$250,000 in denomination of CB will receive:
  - S\$50,000 in cash, and
  - 1,785,800 shares at conversion price of S\$0.112

- Each S\$250,000 in denomination of Notes to be given 125,000 warrants upfront.
- Warrants have a 4-year exercise period at exercise price of S\$0.028.

# Optional - Share Placement

**Noteholders can participate in Share Placement**



## **Previous Proposal (18 June 2018)**

- Noteholders can participate in the Share Placement <sup>(1)</sup> for a maximum of 25,000,000 shares at S\$0.014 per share.



## **Revised Proposal (18 July 2018)**

- Noteholders can participate in the Share Placement <sup>(1)</sup> for a maximum of **S\$10,000,000** at S\$0.014 per share.

Note: (1) Not eligible to participate in Rights Issue.

# Shareholding Change

## Immediate shareholding structure post-restructuring

### Investors



US\$120 million

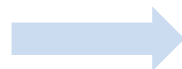


~ 74% of PR enlarged share capital

### Banks



US\$211 million  
(debt forgiveness/  
conversion to equity)



~ 15% of PR enlarged share capital

### Existing Shareholders

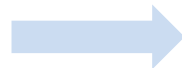


Pang Family 68%



~ 3% of PR enlarged share capital

Others 32%



~ 1.5% of PR enlarged share capital

### Noteholders



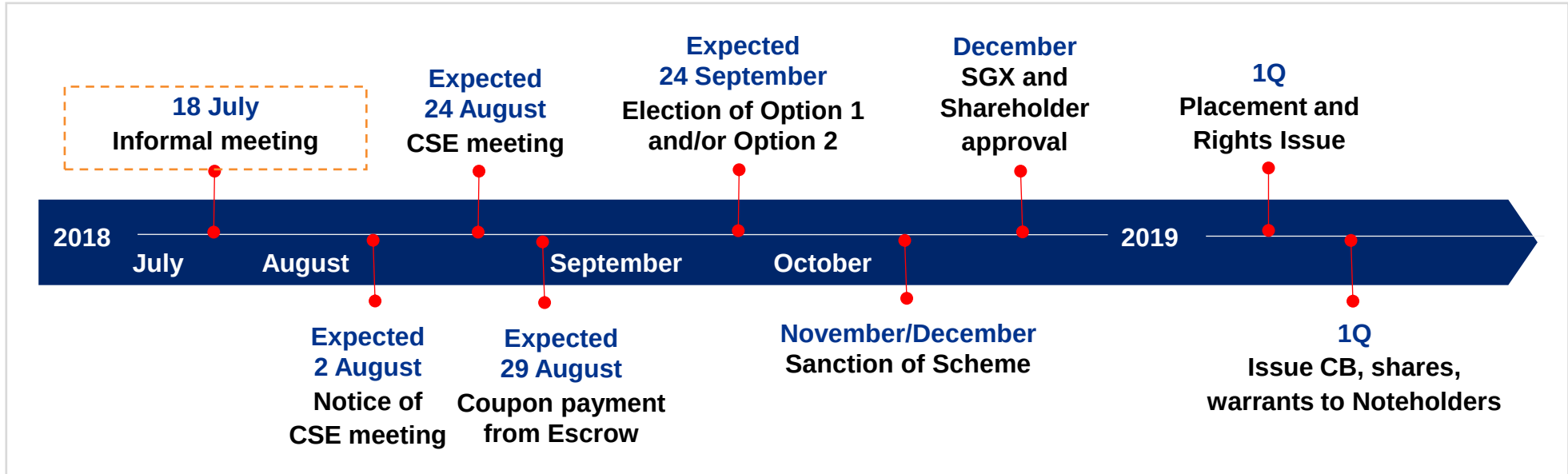
S\$100 million



~ 6% of PR enlarged share capital

*Management retention shares of approximately 12% (fully diluted basis) to be vested over 4 years.*

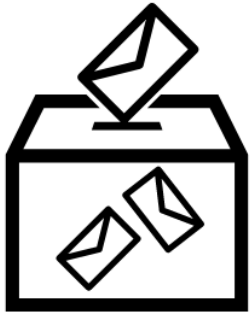
# Indicative Timeline



# What Noteholders Need To Do

- 1 Approve or Reject the Extraordinary Resolution (comprising Option 1 and 2)**
- 2 Elect either Option 1 or Option 2**
- 3 Indicate interest to participate in Share Placement**

# What Noteholders Need To Do



## **Notes held directly with CDP:**

Voting Instruction Form must reach Tricor Singapore Pte Ltd by deadline for submission of votes i.e. 2 days before CSE meeting.

## **Notes held through a bank:**

Contact your bank for the submission of votes.

# What Noteholders Need To Do

## Important Note

The Company intends to pursue the restructuring of the Notes by way of a consent solicitation exercise (“CSE”) and not schemes of arrangement under S210(1) of the Companies Act (“Scheme”).

Extraordinary resolution (“ER”) is required to approve the restructuring proposal (comprises Option 1 and Option 2) and waive default.

If ER is passed, Noteholders have to elect Option 1 or Option 2 and to elect to participate in the Share Placement (optional) within the election period.

Noteholders who fail to elect Option 1 or Option 2 after the election period will automatically be deemed to have elected Option 1.

In the event if the number of Noteholders who elected Option 2 is below [5%] in aggregate principal amount of the CB, the Noteholders will automatically be deemed to have elected Option 1.

Trustee shall pay out monies in the escrow account (one coupon less fees and expenses) on 29 August 2018 (subject to no scheme moratorium).

# Company Contact

**Noteholders who require further clarification  
can contact the Company at  
[noteholders@pacificradianance.com](mailto:noteholders@pacificradianance.com)  
+(65) 6568 3284 / 6568 3418**

# **QUESTIONS & ANSWERS**

# APPENDIX

# **APPENDIX 1**

## **KEY TERMS FOR OPTION 1 AND OPTION 2**

# Key Terms - Option 1

|                                              | Key Terms                                                                                                                                                                                                                                                                                    |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Cash payment</b>                          | Upfront cash of S\$5 million <sup>(1)</sup> and deferred cash of S\$5 million <sup>(1)</sup> in Year 4 and S\$5 million <sup>(1)</sup> in Year 7. Deferred cash may be paid earlier if Retained Bank Loans are fully repaid.                                                                 |
| <b>Promissory notes</b>                      | Promissory notes equivalent to the amount of deferred cash shall be issued to Noteholders.                                                                                                                                                                                                   |
| <b>Conversion to shares</b>                  | Upfront conversion of all the Notes to shares.                                                                                                                                                                                                                                               |
| <b>Conversion price</b>                      | Each S\$250,000 in denomination of Notes will be converted to 2,104,000 shares upfront. Deemed conversion price of S\$0.101.                                                                                                                                                                 |
| <b>Free warrants</b>                         | Each S\$250,000 in denomination of Notes to be given 125,000 warrants upfront. Warrants shall have a 4-year exercise period at exercise price of S\$0.028.                                                                                                                                   |
| <b>Shares lock-up period</b>                 | No lock-up period imposed.                                                                                                                                                                                                                                                                   |
| <b>Listing, tradability, transferability</b> | Warrants to be listed, tradable and transferable.                                                                                                                                                                                                                                            |
| <b>Voting requirement</b>                    | Quorum of two or more Noteholders holding 75% of principal amount of Notes, at least 75% in value of the votes cast in favour of resolution.                                                                                                                                                 |
| <b>Other requirements</b>                    | <p>If resolution is passed:</p> <ul style="list-style-type: none"> <li>- Restructuring under S210(1) of Companies Act sanctioned by Court.</li> <li>- SGX and shareholders' approval and CDP clearance.</li> <li>- Completion of new equity raise via placement and rights issue.</li> </ul> |

Note:

(1) Based on S\$100 million of Notes

# Key Terms - Option 2

|                                         | Key Terms                                                                                                                                                                                                                                                                                    |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Convertible bond amount</b>          | Redemption of Notes with equivalent amount in Convertible Bonds (CB) to be issued by Pacific Radiance Ltd ("Issuer") in denomination of S\$250,000 per CB.                                                                                                                                   |
| <b>Coupon</b>                           | Coupon of CB at 0.25% per annum, step-up at 0.25% per annum after every 3 years.                                                                                                                                                                                                             |
| <b>Maturity date</b>                    | 9 years from the date of issue                                                                                                                                                                                                                                                               |
| <b>Conversion option of CB holders</b>  | <p>CB holders has the option to convert to shares before maturity date from Year 2 onwards. CB shall be cancelled upon conversion.</p> <p>Each S\$250,000 in denomination of CB will be converted to 2,229,500 shares.</p> <p>Deemed conversion price of approximately S\$0.112.</p>         |
| <b>Partial redemption of CB</b>         | <p>Issuer shall redeem 30%, 30% and 40% of CB in Year 7, 8 and 9 respectively if share price is S\$0.075 or higher.</p> <p>Outstanding CB not redeemed shall be mandatorily converted to shares on maturity date at conversion price of S\$0.112.</p>                                        |
| <b>Special redemption of CB</b>         | <p>Issuer shall redeem part in cash and part in shares on maturity date if no CB has been redeemed and/or converted and share price is below S\$0.075.</p> <p>Each S\$250,000 in denomination of CB will receive S\$50,000 in cash and 1,785,800 shares at conversion price of S\$0.112.</p> |
| <b>Full redemption option of Issuer</b> | Issuer has the option to redeem up to full amount of CB outstanding if Retained Bank Loans are fully repaid.                                                                                                                                                                                 |

# Key Terms - Option 2

|                                              | Key Terms (Cont'd)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Free warrants</b>                         | Each S\$250,000 in denomination of Notes to be given 125,000 warrants upfront. Warrants to have a 4-year exercise period at exercise price of S\$0.028.                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Shares lock-up period</b>                 | No lock-up period imposed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Listing, tradability, transferability</b> | CB <sup>(1)</sup> and warrants to be listed, tradable and transferable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Voting requirement</b>                    | Quorum of two or more Noteholders holding 75% of principal amount of Notes, at least 75% in value of the votes cast in favour of resolution.                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Other requirements</b>                    | <p>If resolution is passed:</p> <ul style="list-style-type: none"> <li>- Restructuring under S210(1) of Companies Act sanctioned by Court.</li> <li>- SGX and shareholders' approval and CDP clearance.</li> <li>- Completion of new equity raise via placement and rights issue.</li> <li>- In the absence of an election, Noteholder will be deemed to have elected Option 1</li> <li>- In the event if the number of Noteholders who elected Option 2 is below [5%] in aggregate principal amount of the CB, the Noteholders will be deemed to have elected Option 1.</li> </ul> |

Note:

(1) CB are tradable in minimum board lots of S\$200,000.

# **APPENDIX 2**

**PREVIOUS UPDATES  
ON 18 JUNE 2018**

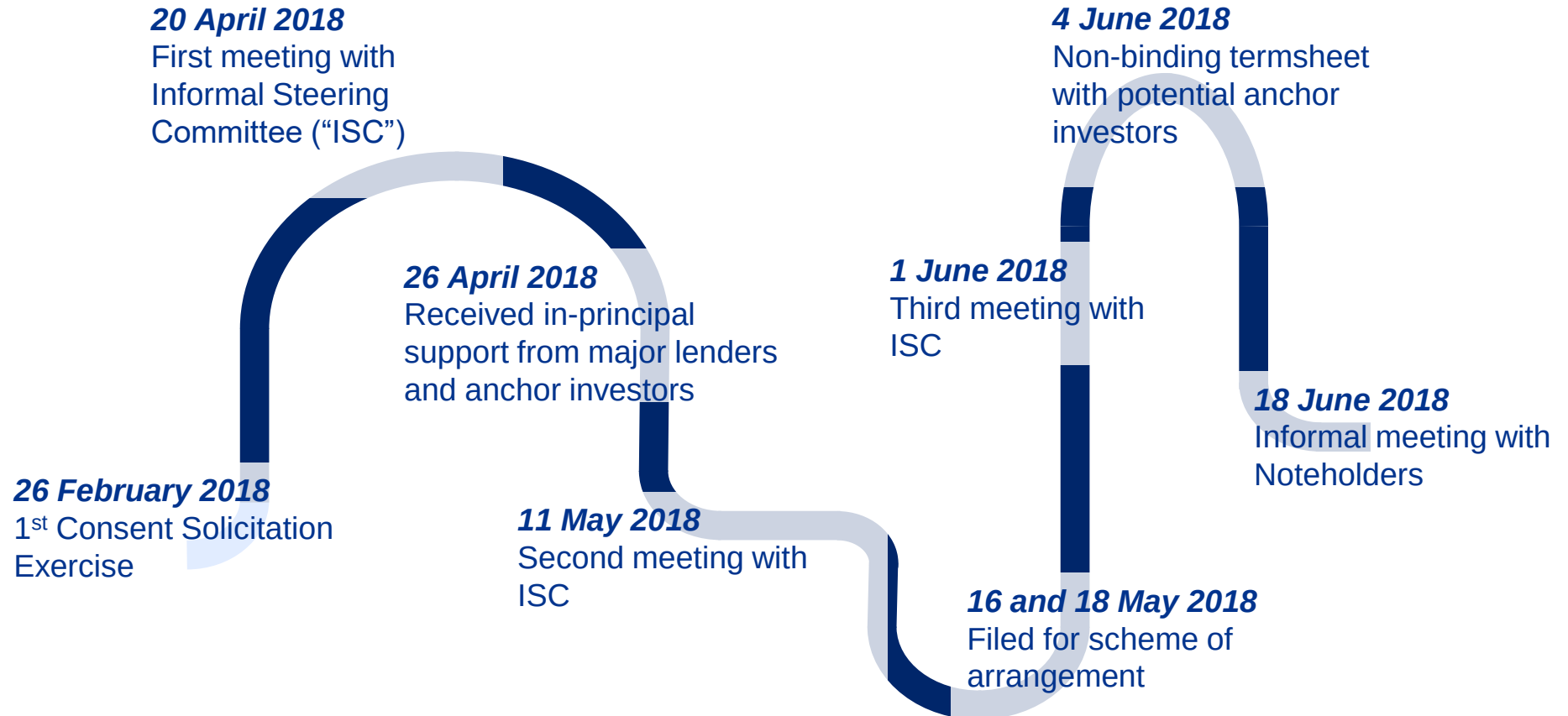
# Cost Saving Measures

Since the slowdown in 2015, PR has swiftly implemented numerous cost control measures including the lay-up of vessels and headcount reduction at the crew and corporate level

|                                                                                    | Initiatives                             | 2015                                 | 2016 | 2017 | Results                                                                                                                                                                                         |
|------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------|------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | Reduction in operating related expenses | Right-sizing of fleet                |      |      | <ul style="list-style-type: none"> <li>19 vessels sold since 2015.</li> </ul>                                                                                                                   |
|                                                                                    |                                         | Right-sizing of crew                 |      |      | <ul style="list-style-type: none"> <li>Crew size has decreased by over 40% from 2014 to 1H 2018.</li> </ul>                                                                                     |
|  | Reduction in corporate expenses         | Suspension of bonus                  |      |      | <ul style="list-style-type: none"> <li>Bonus suspension from 2016.</li> <li>Wage freeze for employees from 2016.</li> <li>Wage reduction for senior management of up to 52% in 2016.</li> </ul> |
|                                                                                    |                                         | Wage freeze and reduction            |      |      | <ul style="list-style-type: none"> <li>Staff cost decreased by 25% in FY2016 and a further 19% in FY2017.</li> </ul>                                                                            |
|                                                                                    |                                         | Reduction of corporate headcount     |      |      | <ul style="list-style-type: none"> <li>Corporate headcount has also decreased by over 40% from 2015 to 1H 2018.</li> </ul>                                                                      |
|                                                                                    |                                         | Reduction of expenses <sup>(1)</sup> |      |      | <ul style="list-style-type: none"> <li>General and administration expenses decreased by 8% in FY2016 and a further 20% in FY2017.</li> </ul>                                                    |

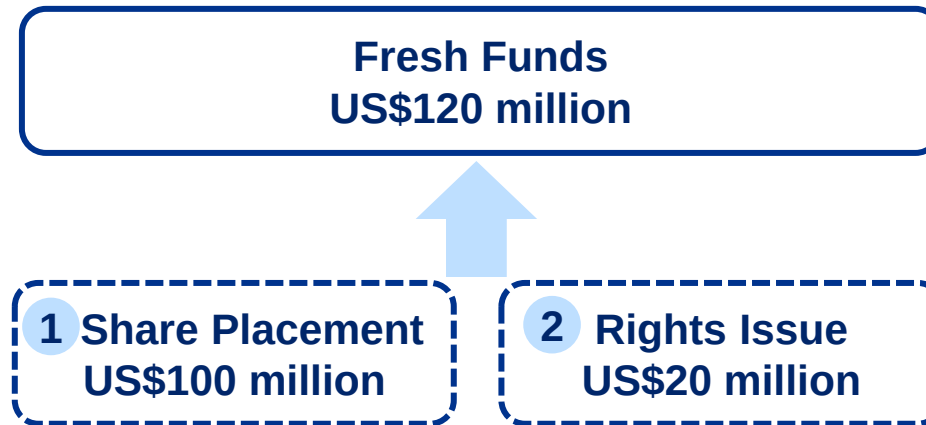
Note: (1) Adjusted for depreciation, interest expenses, legal and consultant fees.

# Update on Developments



# Update on Developments

**New equity to be raised**



- 1 US\$100 million upfront cash payment to secured lenders.**
- 2 US\$20 million to be retained by PR for working capital.**

# Update on Developments

## Estimated total borrowings and contingent liabilities to be restructured

| Pacific Radiance Ltd – Holding Company                    | US\$ million <sup>(1)</sup> |
|-----------------------------------------------------------|-----------------------------|
| S\$100 million Series 001 notes due August 2018 (“Notes”) | 72                          |
| Corporate Guarantees                                      | 492                         |

*Notes and Corporate Guarantees are unsecured. Holding company does not own any vessel.*

| Operating Subsidiaries | US\$ million <sup>(1) (2)</sup> |
|------------------------|---------------------------------|
| Bank Loans             | 476                             |

*Bank Loans are mainly secured by vessels owned by operating subsidiaries.*

Note: (1) Estimates as at end Jun 2017.

(2) Bank Loans to be restructured (excluding bank loans within the group that are undergoing separate bilateral negotiations)

# Update on Developments

## Estimated Bank Loans to be restructured

| Operating Subsidiaries                                                                                    | US\$ million <sup>(1)</sup> |
|-----------------------------------------------------------------------------------------------------------|-----------------------------|
| Bank Loans                                                                                                | 476                         |
| Less: Property Loan<br><i>(moratorium, extended payment terms, interest reduction)</i>                    | (44)                        |
| Remaining Bank Loans                                                                                      | 432                         |
| Less: Retained Bank Loans<br><i>(moratorium, extended payment term up to 6 years, interest reduction)</i> | (121)                       |
| Remaining Loans to be restructured                                                                        | 311                         |
| Less: Upfront cash payment                                                                                | (100)                       |
| Less: Debt forgiveness/conversion to equity                                                               | (211)                       |

*Approximately 50% of bank loans to be forgiven/converted to equity.*

Note: (1) Estimates as at end Jun 2017.