Pacific Radiance

REBUILD

RESTORE

PACIFIC RADIANCE

ANNUAL REPORT 2017

CONTENTS

REBUILD RESTORE

Pacific Radiance Ltd. ("Pacific Radiance" or the "Company") is an owner and operator of a young and diverse fleet of offshore vessels as well as a provider of offshore support services. The Company and its subsidiaries (collectively, the "Group") strive to be relevant to clients' needs, to be reliable in service delivery and execution, and to be responsive to industry trends in supporting the needs of clients spanning the entire oil and gas project life cycle.

The Group's fleet of more than 120 vessels has given it a strong foothold across Asia as well as emerging oil and gas markets in Africa and Latin America. Helmed by a highly experienced management team and well supported by many reliable partners, the Group enjoys access to many markets protected by cabotage restrictions.

Established in 2006, Pacific Radiance has seen tremendous growth over the past decade, successfully listing on the mainboard of the Singapore Exchange ("SGX") in 2013 and becoming a well-recognised brand in the sector today. Strategically located in the major offshore hub of Singapore, the Group operates a 33,000 square metres state-of-the-art shipyard with over 180 metres of water frontage, featuring two 6,000 DWT dry docks as well as facilities for equipment fabrication, testing and maintenance.

CORPORATE MILESTONES

2002

Birth of the Group as it entered into provision of ship chartering services.

2005

Initiated a strategic fleet building programme to facilitate its long-term growth plans.

2006

Incorporated Pacific Radiance Ltd. to advance its offshore support services business. Ended the year as the owner and operator of nine vessels.

2007

Entered into project logistics with a minority stake in Consolidated Pipe Carriers, which boosted its ability to provide logistics services for project cargo.

2009

Diversified into marine equipment business to reduce vessel outfitting time and improve service reliability, by establishing Titan Offshore Equipment and investing in Fleetwinch Control.

2010

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

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

2011

Moved into subsea inspection, repair and maintenance business with two newly delivered diving support vessels, to build a new recurrent income stream.

Expanded into Indonesia – another cabotage-protected market that is Asia's fastest-growing E&P market – by acquiring 49% each in two established local ship-owning and chartering companies, PT Jawa Tirtamarin and PT Logindo Samudramakmur Tbk.

2012

Moved into high-growth Brazil market through wholly owned Radiance Offshore Navegacao (Alagoas), which will spearhead drive to grow its presence in South America.

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

2013

Successfully listed on the mainboard of SGX. Indonesian subsidiary, PT Logindo, was also successfully listed on the Indonesia Stock Exchange.

Further expanded fleet to 131 wholly and jointly owned offshore vessels at the end of 2013.

Relocated to new corporate office building on 15 Pandan Road, where its shipyard is also located.

2014

Entered into Mexico – a high-growth and cabotage-protected market – through joint ventures with local players.

Included in widely followed MSCI Global Small Cap Indexes from close of 30 May.

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

2015

Accorded the Special Mention Award at the Singapore International Maritime Awards 2015.

Commenced cost-rationalisation exercise to reduce corporate and operations-related expenses.

Fleet size of 141 wholly and jointly owned offshore vessels at the end of 2015.

2016

Successfully refinanced existing term loans and renewed revolving credit facilities with key lenders, amounting to about US$185m. Extension of loans from seven to 12 years to reduce Group's principal payments by US$103m over the next three years to 2019.

Secured contract worth US$73m including options from new client in Mexico for maintenance work boat delivered in the first half of 2016.

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

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

2017

Re-established presence in the Middle East with multi-year contracts worth up to US$68m.

Secured contracts worth up to US$45m for offshore support vessels ("OSV") work in Asia and the Middle East.

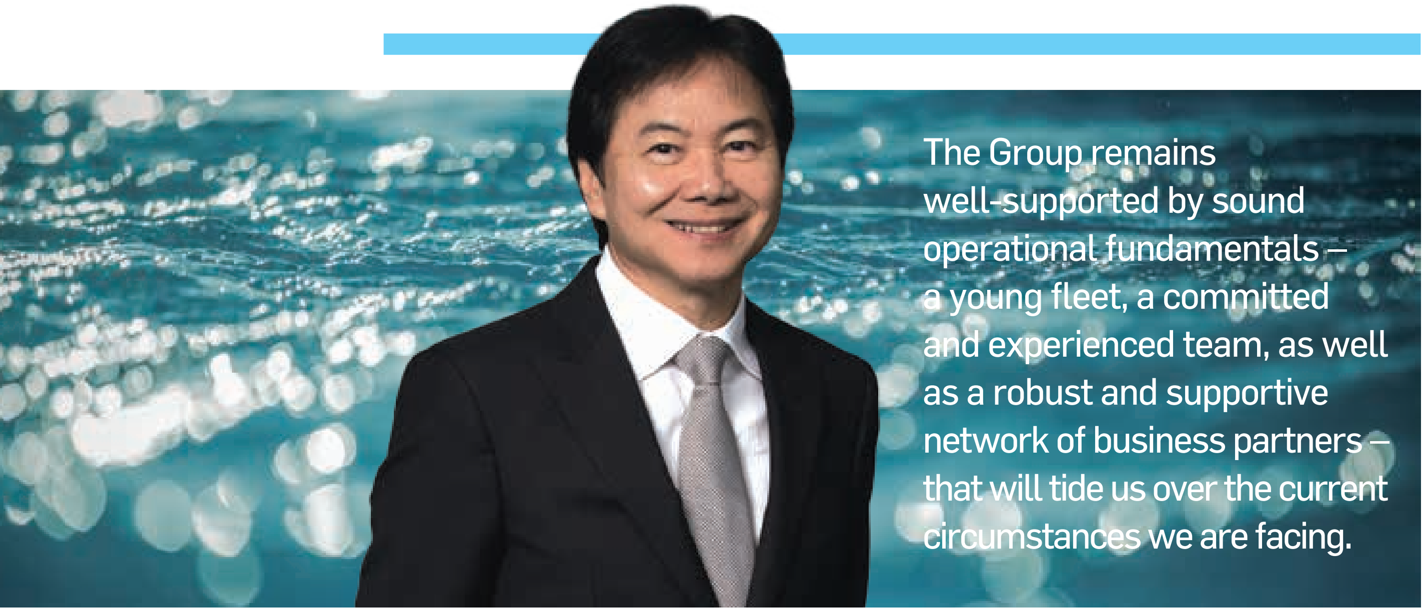
Commenced discussions with bank lenders and noteholders to work towards achieving a sustainable capital structure for the Group.


CRESTPROVIDER

We are committed to rebuilding our business and presence by strengthening our operations, streamlining costs and executing focused marketing strategies.

REBUILD

EXECUTIVE CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

Rising oil prices, increased offshore capital expenditure spending and higher rig utilisation in the past year contributed to improved term charter demand for OSV. While these signs point to a recovering offshore oil and gas market, the lingering oversupply of rigs, subsea vessels and OSV continued to plague operating conditions in 2017.

Against this backdrop, the Group kept its pace in the execution of planned operational initiatives aimed at reining in costs, improving fleet utilisation and boosting productivity across its businesses.

Increased contributions from the Subsea Services and Shipyard businesses helped to narrow the Group's gross loss by 41% to US$18.8 million on a marginal 3% lower revenue of US$67.7 million in the financial year ended 31 December 2017 ("FY2017"). Net loss however, came in at US$343.2 million due to impairment provisions totalling US$272.1 million, comprising US$178.1 million for our directly-owned fleet, US$73.4 million for doubtful receivables and US$20.6 million for our joint venture and associate investments.

REBUILD

To plant the Group firmly on a fresh path forward, we have been harnessing all our resources to *rebuild* our business and presence in key segments. No effort has been spared in our ongoing initiatives to fortify our operations on all fronts, even as we press ahead with new marketing strategies aimed at raising fleet utilisation and broadening our foothold in Asia and beyond. Over the year, we have ramped up efforts to boost contributions from our shipyard arm.

To support these moves and strengthen the Group's financial standing, we have diligently implemented our cost rationalisation exercise since 2015 to reduce both operating and corporate expenses. These include right-sizing our vessel fleet, crew size and headcount, as well as reducing the remuneration of senior management.

The painstaking steps taken in this direction have made it possible for us to cut general and administrative expenses by about 30% over the last three years, and about 20% in FY2017 alone. Encouraged by these results, we will persist with current initiatives and explore all other available avenues in streamlining our costs. Meanwhile, we will continue with measures to optimise our vessel and shipyard utilisation, and make every effort to uphold quality and excellence in our service.

RESTORE

The Group is also making steady progress to *restore* balance in our capital structure which will sustain us in this extended downturn and allow us to participate in the market recovery. In this respect, I am pleased to report that Pacific Radiance has received in-principle support from our major lenders and anchor investors on the broad terms of our proposed restructuring (the "Proposed Restructuring").

The Proposed Restructuring will entail re-profiling and upfront repayment of a portion of the existing debt of the Group, as well as debt forgiveness and debt-to-equity conversion in consideration of the impairment of the Group's assets. New equity will be raised to pare down a portion of the existing debt and for future working capital requirements of the Group.

After much deliberation, the Group decided to pursue the Proposed Restructuring by way of schemes of arrangement to be proposed between the Group and its creditors under section 210 (1) of the Companies Act (Cap. 50). We believe that the Proposed Restructuring, if implemented, will enable Pacific Radiance to achieve stability and sustainability under the current challenging market conditions while positioning us for the eventual recovery of the sector.

In line with this objective, certain subsidiaries of Pacific Radiance have been granted moratoriums from the High Court of Singapore which will provide the subsidiaries interim protection against legal proceedings that would otherwise regress ongoing discussions on the Proposed Restructuring with the various stakeholders. At the same time, the Group is also able to carry on with its daily operations, allowing us the opportunity and adequate time to pursue the Proposed Restructuring.

We will continue to press on with our discussions with the broader stakeholder groups on the Proposed Restructuring and any further material developments in relation to this will be disseminated at the appropriate juncture.

PROSPECTS AND OUTLOOK

Operating fundamentals of the global OSV sector are slowly improving and the worst is likely behind us. Tender activity is also picking up gradually and it is likely that a significant share of laid-up OSV will not return to the offshore market.

However, OSV charter rates are expected to continue to reflect the sector's tonnage oversupply situation in the near term. Barring any unexpected geopolitical developments or a decline in oil prices that could derail the sector recovery, we are cautiously optimistic that the market will find its balance in the medium term.

The Group remains well-supported by sound operational fundamentals – a young fleet, a committed and experienced team, as well as a robust and supportive network of business partners – that will tide us over the current circumstances we are facing. Upon the completion of the Proposed Restructuring along with the injection of new equity, the balance sheet of the Group will be deleveraged substantially and new funds will be available to provide working capital support to the Group. I believe this will put Pacific Radiance in a stronger position, ready to reel in any opportunities in the recovering sector.

SUSTAINABILITY REPORTING

This year marks the Group's maiden in-depth report on sustainability which is in line with guidelines from the SGX in reference to the Global Reporting Initiative framework.

The importance of sustainability is fundamental to our long-term approach to business – we have always recognized the responsibility and need to conduct our operations in a manner that considers the environmental and social impact of what we do. As a key player in the industry, Pacific Radiance has been reporting on its efforts to uphold high standards in all aspects of health, safety, environment and community matters since the first annual report in 2013 as a public-listed entity.

ACKNOWLEDGMENTS AND APPRECIATION

To Mr Wong Meng Hoe, who will be stepping down as Independent Director, my Board and I offer our heartfelt thanks for his invaluable contributions to Pacific Radiance, and wish him all the best in his endeavours.

On behalf of the Board, I sincerely thank our shareholders, noteholders and business partners for your patience and faith in our ability to ride out the industry downturn. Your continued unwavering support will be critical in the coming year as we work to rebuild and restore our business for a sustainable future.

I also extend my deepest appreciation to our staff and management, who have worked tirelessly despite the challenges to bolster our operations at every level and deepen our reach in key markets without compromising on the quality of our service.

I look forward to this journey as we chart our future together.

PANG YOKE MIN
Executive Chairman

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

MR. PANG YOKE MIN
Executive Chairman

MR. MOK WENG VAI
Executive Director

MR. PANG WEI MENG
Executive Director

MR. LAU BOON HWEE
Executive Director

MR. PANG YOKE MIN
Executive Chairman

Mr. Pang Yoke Min was named the Group's Executive Chairman in January 2013, after having served as its principal adviser in 2012. Mr. Pang was also the Group's Non-Executive Director from January 2007 to December 2011 and was last re-elected as a Director of the Company on 28 April 2016. He is currently responsible for the Group's overall strategic direction and growth, and has led its swift transformation into a promising major player in the provision of offshore vessels.

A veteran of the offshore oil and gas industry with more than 30 years of experience, Mr. Pang co-founded Jaya Holdings Limited in 1981 and was its managing director until 2006.

Mr. Pang is a non-independent and non-executive director of Global Yellow Pages Limited which is listed on SGX. He sits on the nominations, audit and remuneration committees at Global Yellow Pages Limited.

Mr. Pang graduated with a Diploma in Business Administration from the Institute of Business Administration in Australia.

MR. MOK WENG VAI
Executive Director

Mr. Mok Weng Vai was appointed as the Group's Executive Director in July 2006 and was last re-elected as a Director of the Company on 28 April 2015. As one of the Group's co-founders, he currently heads the Offshore Support Services Business Division, which represents the Group's core business segment.

Mr. Mok began his career as a commercial and business development executive at Maritime Pte. Ltd. in 1989. He joined Jaya Holdings Limited as a marketing executive in 1993 and spent nine years there. Since the Group was co-founded, Mr. Mok has been overseeing the Group's daily management and policy implementation. During this period, he has acquired in-depth knowledge and experience of the oil and gas industry, and in particular, the offshore support services sector.

Mr. Mok graduated with a Bachelor of Arts from the National University of Singapore.

MR. PANG WEI MENG
Executive Director

Mr. Pang Wei Meng was appointed as one of the Group's Executive Directors in November 2006 and was last re-elected as a Director of the Company on 28 April 2016. Mr. Pang heads the Group's Subsea Business Division and oversees its overall day-to-day operations. Further, he has the primary responsibility of dealing with new clients for the chartering of the Group's vessels.

Mr. Pang played a key role in the Group's formative years, during which his responsibilities included marketing, business development and finance.

Mr. Pang graduated with a Diploma in Mechanical Engineering from Singapore Polytechnic and a Bachelor of Commerce in Finance and Accounting from the University of New South Wales, Australia.

MR. LAU BOON HWEE
Executive Director

Mr. Lau Boon Hwee was appointed as one of the Group's Executive Directors on 28 October 2013 and was last re-elected as a Director of the Company on 28 April 2017. He is responsible for the Group's newbuild projects and overseeing the technical and service aspects of the Group's operations. He was instrumental in the development and construction of the Group's new shipyard that successfully commenced operations in August 2016.

Mr. Lau is a veteran in the offshore marine industry with more than 20 years' experience. Prior to joining the Group, he worked in various Singapore shipyards, including Asian Shipbuilding Industries Pte. Ltd. and Jaya Shipbuilding & Engineering Pte. Ltd., where he gained experience in shipbuilding and ship repairing operations.

Mr. Lau graduated with a Diploma in Offshore and Shipbuilding from Ngee Ann Polytechnic.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

MR. NG TIONG GEE

Lead Independent Director

Mr. Ng Tiong Gee was appointed as the Group's Lead Independent Director on 28 October 2013 and was last re-elected as a Director of the Company on 28 April 2016. He has substantial experience in the information technology sector and strategic human resource management. He is currently the chairman of Yellow Pages Pte Ltd, an online directory and digital marketing company.

Mr. Ng was the senior vice president for innovation and technology at Resorts World Sentosa. He was also at various times in his tenure there responsible for the Engineering and Estate Management divisions of RWS. He has held various key positions at Digital Equipment Singapore (now part of Hewlett-Packard), Siemens Microelectronics Asia Pacific Pte Ltd (now known as Infineon Technologies Asia Pacific), Gateway Incorporated, STATS ChipPAC and United Test and Assembly Center Ltd, and his roles have included, among others, director of information systems and services, chief information officer and chief human resource officer.

Mr. Ng is currently a non-executive and independent director of Global Yellow Pages Limited and is also the chairman of its remuneration committee as well as a member of its audit and nominations committees. He is also an independent director of Y Ventures Ltd and is the chairman of its nomination committee as well a member of its remuneration and audit committees.

Mr. Ng graduated with a Bachelor of Mechanical Engineering from the National University of Singapore and holds a Master of Business Administration from Nanyang Technological University of Singapore. He has also attended the Advanced Management Program in Harvard Business School.

MR. YONG YIN MIN

Independent Director

Mr Yong Yin Min became a Non-Executive Director in 2006 and was re-designated as an Independent Director in 2017. He was last re-elected as a Director of the Company on 28 April 2015. A 28-year veteran of the financial sector, he brought with him invaluable expertise in private, corporate and investment banking.

He has held senior positions at Chase Manhattan Bank, NZI Bank, Standard Chartered Bank, Keppel Bank, GE Capital and KBC Bank. At various points in his career, he headed teams in private and corporate banking, and served as a regional operations manager and a general manager for commercial and investment banking.

He graduated with a Bachelor of Science from the University of Singapore. He later earned a Master in Business Administration from the University of Toronto in Canada and a Master in Financial Engineering from the National University of Singapore.

MS. OOI CHEE KAR

Independent Director

Ms. Ooi Chee Kar was appointed an Independent Director in 2013 and was last re-elected as a Director of the Company on 28 April 2016. An auditor for more than 30 years, she was an audit partner at PricewaterhouseCoopers in Singapore for two decades. While there, she was the audit partner for various listed entities and was actively involved in their audit committees. Her professional experience is broad-based, covering sectors that range from financial services to retail, shipping and oil trading.

Ms. Ooi is an independent director of AusGroup Limited, Singapore Eye Research Institute, Tokio Marine Life Insurance Singapore Ltd., Tokio Marine Insurance Singapore Ltd and Singapore Pools (Private) Limited. She also currently serves on the audit committee of the National Council of Social Service.

She is a fellow of both the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. She graduated with a Bachelor of Accountancy (Hons) from the University of Singapore.

MR. GOH CHONG THENG

Independent Director

Mr. Goh Chong Theng was appointed as the Group's Independent Director on 28 October 2013 and was last re-elected as a Director of the Company on 28 April 2017. He is currently the corporate finance director of PT Central Cipta Murdaya. Prior to this, he was the head of banking of RGE Pte Ltd from March 2012 to July 2013 and the chief financial officer of TT International Ltd (a company listed on SGX) from 2010 to 2012.

Mr. Goh has garnered more than 30 years of experience in the banking and finance sector, mostly at international banks such as Citigroup, Standard Chartered Bank, ABN AMRO, OCBC Bank and Rabobank International, where he held key appointments such as senior vice president and head of wholesale corporate banking and also as general manager for Singapore branch and the region, among others.

Mr. Goh graduated with a Bachelor of Computer Science from the University of Windsor, Canada and a Master in Business Administration (Finance and Accounting) from McGill University, Canada. He has attended leadership and management development programs at INSEAD in Paris, Manchester Business School and also Ashridge College in London.

Mr. Goh is currently an independent director and chairman of the audit committee of USP Group Limited, which is listed on the mainboard of SGX.

He is currently a trainer at Singapore Management University.

MR. NG TIONG GEE
Lead Independent Director

MR. YONG YIN MIN
Independent Director

MS. OOI CHEE KAR
Independent Director

MR. GOH CHONG THENG
Independent Director

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

MR. WONG MENG HOE
Independent Director

MR. PANG WEI KUAN
Managing Director (Commercial and Business Development)

MS. CHIA IRIS
Chief Financial Officer

MR. WONG MENG HOE

Independent Director

Mr. Wong Meng Hoe was appointed as the Group's Independent Director on 28 October 2013 and was last re-elected as a Director of the Company on 28 April 2015. He is currently the managing director of MH Wong Marine Pte Ltd, a consultancy company which he established in 1993.

Mr. Wong has over 40 years of experience in the marine and offshore oil and gas industry. He started his career at the Singapore Ministry of Defence ("MINDEF") where he held various positions in the Singapore Navy and was head of ordnance in the logistics division of MINDEF before moving to the private sector in 1977. He spent more than 15 years at Noble Denton and Associates (S) Pte. Ltd., where he eventually became a director and general manager. Mr. Wong currently runs MH Wong Marine Pte Ltd, a consultancy company which provides consultancy and supervision services to the offshore oil and gas industry relating to transportation and offshore installation of platforms, heavy plants, FSOs, FPSOs and mooring systems. He also provides services in dispute resolution as an expert witness and arbitrator.

Mr. Wong is a fellow and past council member of the Society of Naval Architects and Marine Engineers Singapore, the Singapore Institute of Arbitrators and the Singapore Maritime Arbitration Association. He is also a member of the Royal Institution of Naval Architects and a Chartered Engineer. He also serves as a member of the Marine and Offshore Technology Advisory Committee at Ngee Ann Polytechnic.

Mr. Wong, who was also a Colombo Plan scholar, graduated with a Bachelor of Science (Naval Architecture) from the University of Newcastle upon Tyne in the United Kingdom.

MR. PANG WEI KUAN

Managing Director (Commercial and Business Development)

Mr. Pang Wei Kuan joined the Group in July 2011 and is currently the Group's Managing Director of Commercial and Business Development. He leads the Group's marketing and business development teams, which are actively working to extend the Group's footprint worldwide. He spearheads the Group's ventures into foreign markets such as Indonesia, Latin America, Africa and the Middle East.

Mr. Pang also drives the Group's investment activities by developing and executing the Group's strategy and business plans. Since joining the Group, he has focused on building up and strengthening the Group's marketing and business development activities.

Mr. Pang started his career at Standard Chartered Bank, Singapore branch in 2009. During his tenure at Standard Chartered Bank, Singapore branch, he was responsible for managing client relationships and assisting in originating deals with the Asian Conglomerates portfolio. His responsibilities also included negotiating and executing financing transactions for listed and private companies.

Mr. Pang graduated with a Bachelor of Arts, Major in Economics (summa cum laude) and a Bachelor of Science in Business Administration, Major in Finance (summa cum laude) from Boston University in the United States of America.

MS. CHIA IRIS

Chief Financial Officer

Ms. Chia Iris joined Pacific Radiance in 2017 as Chief Financial Officer. She oversees the Group's overall financial, accounting, taxation, corporate finance and treasury matters, ensuring compliance with financial reporting requirements.

Ms. Chia possesses more than 20 years of banking and corporate finance experience, mostly at DBS Bank, Standard Chartered Bank, Natixis and KPMG Corporate Finance. During her stint in banking, Ms. Chia completed numerous financing and capital markets transactions and provided advisory services across multiple industry sectors, including transportation (shipping and aviation), telecommunications, media and technology, real estate, retail, food and beverage, industrial, trading and automotive sectors. She also oversaw teams across business segments for local corporates, large conglomerates and multi-national corporates.

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


CREST IMPERIAL
IMO 9578828

RESTORE

We are committed to restoring our financial strength through a comprehensive restructuring of our capital structure which enables us to emerge stronger to compete in the market.

FINANCIAL & OPERATIONS REVIEW

FINANCIAL REVIEW

Vessel tonnage oversupply continued to beset the offshore oil and gas market in FY2017 amidst early indications of a recovery. Against this backdrop, Pacific Radiance persisted with the cost-cutting measures it commenced in FY2015 upon the onset of the industry downturn. These include right-sizing of fleet and crew, suspension of bonus payouts, wage freeze for staff, wage reduction for senior management, and cutting other general and administration expenses.

Through our focused marketing efforts, the Group was able to maintain its presence in key regions of Asia and re-entered the Middle East during the year. All these initiatives provided a buffer from the full impact of the still challenging environment.

REVENUE AND PROFIT

In FY2017, we recorded US$67.7 million in revenue, marginally lower than in the previous year. However, we were able to narrow gross loss by 41% to US$18.8 million from increased contributions from the Subsea Services and Shipyard businesses.

Net loss, however, came in at US$343.2 million due to impairment provisions totalling US$272.1 million, which comprised US$178.1 million for our directly-owned fleet, US$73.4 million for doubtful debt and US$20.6 million for our joint venture and associate investments. These provisions, though painful, were taken so that the Group can move forward with the proposed restructuring which will strengthen its capital structure. Excluding the impairment provisions made in both FY2016 and last year, the Group's net loss of approximately US$71.1 million is comparable to the previous year's US$69.4 million.

Our share of results from joint ventures ("JVs") was a loss of US$14.0 million compared with a US$4.8 million loss in FY2016. This resulted largely from higher losses from our Malaysian JVs due to vessel impairments, partially offset by a lower share of losses of PT Logindo Samudramakmur, which was classified as an associate, subsequent to rights issue by the entity, from 3QFY2017.

SEGMENTAL PERFORMANCE

Revenue from the Offshore Support Services business fell to US$42.2 million in FY2017, from US$58.7 million previously. The Subsea business, on the other hand, saw a near-twofold rise in revenue to US$18.8 million. There was also an increase in revenue from the Shipyard business (which commenced operations in 3QFY2016) from US$0.5 million in FY2016 to US$6.7 million in FY2017.

Contributions from Asia, the Group's largest revenue driver by geographical segment, dipped by about 7% to US$42.7 million. Growing work in the Middle East, however, brought in a revenue of US$21.1 million, up from US$6.6 million in FY2016.

OPERATIONS REVIEW

The past year has seen Pacific Radiance take decisive steps to strengthen our capital structure and restructure our business, and press on with our marketing strategies which have seen us grow our presence in the Middle East and make inroads into other markets.

UPDATE ON RESTRUCTURING

Since the voluntary suspension of the trading of Pacific Radiance's shares on 28 February 2018, the Group announced its intended restructuring proposal which, if implemented, will put it back on even keel, ensuring business sustainability under the current challenging market conditions and positioning it for the eventual recovery of the sector. This proposal comprises alleviating Pacific Radiance's debt through equity injection as well as debt re-profiling, debt forgiveness and debt-to-equity conversion.

EQUITY INJECTION

On 4 June 2018, the Group entered into non-binding term sheets with potential anchor investors for the equity injection of up to US$85 million by way of a subscription of new ordinary shares in Pacific Radiance through a private placement. In addition, the Group intends to raise another US$35 million through a private placement and/or rights issue.

SECURED DEBT

Once the restructuring becomes effective, the secured bank loans of the Group (including certain joint ventures but excluding property loan) will be re-profiled based on assessment of the valuation and income-generating ability of the Group's existing assets. Approximately US$100 million of the secured bank loans will be repaid, funded mainly by the proposed equity injection, and the remaining secured bank loans of approximately US$120 million will be repaid over three years from 1 January 2021 to 31 December 2023. Approximately US$210 million of bank loans will be forgiven and converted to new ordinary shares in Pacific Radiance. The property loan shall be repaid on the terms of the existing repayment schedule from 1 January 2021.

Both the re-profiled secured bank loans and property loan are subject to deferred interest repayment under which half of the contractual interest margin payable will be deferred for three years from 1 January 2018 to 31 December 2020. The deferred interest, however, shall be paid by 31 December 2023.

UNSECURED DEBT

Pacific Radiance's unsecured debt comprised mainly the S$100 million 4.3% notes due 2018 ("Notes"). The Group will convene a consent solicitation exercise to restructure the Notes and the terms are envisaged to include upfront cash payment, upfront debt-to-equity conversion and/or conversion to convertible debt securities.

APPLICATION FOR MORATORIUM

In order to preserve this proposed restructuring and equity injection, the Group's wholly-owned subsidiaries, Pacific Crest Pte Ltd ("PCPL") and CSI Offshore Pte Ltd ("CSIO"), applied for moratorium in response to winding up applications by vendors as mutually acceptable terms could not be reached.

On 11 June 2018, the High Court of Singapore granted PCPL and CSIO moratorium for a period of six months. This is expected to provide stability for the Group's day-to-day operations to continue with the support of its customers and key trade suppliers. At the same time, the Group will also have the opportunity and adequate time to pursue the proposed restructuring and equity injection by potential investors.

STRENGTHENING OUR PRESENCE

Our continued focused marketing effort enabled the Group to gain some headway in strengthening its presence and improving fleet utilisation.

In January 2017, we secured up to US$68 million in multi-year contracts, including options, with independent and national oil companies for work in the Middle East, one of our key target markets. Five of our OSV are now actively supporting the production campaign in the Arabian Gulf.

Within six months of this contract, we won US$45.3 million in new contracts for ten of our OSV, including a diving support vessel, to support projects in Asia and the Middle East. Chartered to new and existing clients, these vessels are providing services such as towing, repair and maintenance, transportation and platform support. Since the start of 2018, the number of our vessels operating in the Middle East has increased from two to 12, reflecting our effectiveness in ramping up utilisation in this market.

DIVERSIFYING INTO OTHER MARKETS

Pacific Radiance has always been on the lookout for opportunities to diversify into the offshore wind energy and liquefied natural gas ("LNG") sectors to sharpen our overall competitive advantage.

Working jointly with two major players in offshore wind energy, we have developed a built-to specifications fit-for-purpose Service Operation Vessel ("SOV") that fully meets their stringent requirements. With our existing capabilities that enable us to convert our platform supply vessels to SOV, we are keen to capture more opportunities to service windfarm operators in construction support/commissioning and operations projects.

During the year, we also leveraged on our shipbuilding experience to strengthen our edge in our shipyard business. Supported by our highly skilled team of professionals with their extensive working experience in reputable yards in Singapore and China, the Group has been able to provide faster turnarounds for repair jobs with no compromise on quality. At the same time, the Group's state-of-the-art ship repair facilities also give us additional commercial marketability and flexibility as vessels can be conveniently customised at short notice, allowing us to take on ad-hoc, higher-margin assignments.

OUTLOOK AND STRATEGY

Healthy global economic growth for 2018, forecast at 3.8%, is expected to drive the rise in world oil demand[1] and the growth in exploration spending mainly driven by national oil companies ("NOC") and US onshore players[2]. These in turn will lead to a recovery in drilling activities, improving OSV utilisation throughout the sector[3]. A market with good potential is the Middle East, where NOC remain active with robust activity[2] for platform supply vessels. However, when this OSV market recovery will pick up speed will depend largely on geopolitical events, continued robust economic growth and the actual level of vessel oversupply.

Pacific Radiance's efforts in warm stacking our relatively young fleet, retaining key crew and keeping the vessels ready for work will prepare us well for the industry upturn. We will continue to monitor the market closely and refine our strategies to stay relevant and competitive.

At the same time, our proven track record in the oil and gas services segment will support our efforts to increase our presence in the promising offshore wind sector. This will allow the Group to retain competitive advantage with key supplier relationships, leverage on its expertise in ship management, and expand its customer base to include wind turbine manufacturers as well as offshore wind farm developers.

The Group has maintained close working relationships with our strategic partners and long standing clients and will persist to ensure the long term viability of our operations on every front as we tide through the current operating environment.

1 OPEC Monthly Oil Market Report, February 2018
2 Fearnley Securities OSV Sector Update, March 2018
3 McKinsey Energy Insights, April 2018

SUSTAINABILITY REPORT

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BOARD STATEMENT

The Board oversees the strategic direction of sustainability at Pacific Radiance Ltd. and has taken into consideration the sustainability reporting requirements for SGX. The Board has been involved in the identification and prioritisation of material factors and has provided resources to manage the governance of sustainability within Pacific Radiance. The Board will ensure that sustainability remains a core focus of the Group and would like to thank the management and employees for their help in the preparation of the report.

ABOUT THIS REPORT

REPORTING SCOPE AND PERIOD

This is the inaugural Sustainability Report published by Pacific Radiance, which is headquartered in Singapore and listed on the mainboard of SGX. This report covers our sustainability performance for FY2017 and includes data and information relating to our operations in Singapore and Indonesia. Moving forward, the Sustainability Report will be published on an annual basis.

REPORTING STANDARD

This report has been prepared with reference to the Global Reporting Initiative ("GRI") Standards. The GRI Content Index at the end of this report sets out the relevant indicators and where information on such indicators can be found.

ASSURANCE

As this is our first Sustainability Report, we have not obtained any independent assurance of the information being reported. We will continue to work on embedding our reporting and data collection process into our daily operations, and consider obtaining independent assurance as our reporting matures in the future.

FEEDBACK

A softcopy of this report can be found on our website at www.pacificradiance.com. We welcome your questions and value your feedback on our sustainability practices and how we can improve on them. Please reach out to our sustainability team at sustainability@pacificradiance.com should you wish to contact us.

SUSTAINABILITY REPORT

OUR BUSINESS

Pacific Radiance has been in the offshore and marine industry since 2002. Over the years, we have grown from a ship chartering and technical management service business to an established owner and operator of offshore vessels and a provider of subsea services and shipyard services to the global oil and gas industry.

Our business divisions are structured to function as synergistic units that meet the needs of our clients. Each business division benefits from the ability to leverage off the experience and expertise available in the other business divisions. This ultimately contributes to enhanced performance and reliability during service delivery to our clients.

While our head office is in Singapore, we have associate offices in Mexico, Mozambique and Indonesia. Our operational presence stretches from Asia, Middle East, Australia, Latin America and Africa.

OFFSHORE SUPPORT SERVICES

- Directly owns and operates over 50 vessels with additional access to over 60 vessels through our associated companies.
  - Dynamically Positioned Platform Supply Vessels
  - Anchor Handling and Ocean Tugs
  - Offshore Barges
- Fleet operations across Asia, Middle East, Australia, Latin America and Africa

SUBSEA SERVICES

- 2 modern and versatile DP2 Saturation Dive Support Vessels
- Established in:
  - Saturation and air diving operations
  - ROV operations and subsea installation
  - Inspection, Maintenance and Repair works
- Operate extensively in Australia and Asia

SHIPYARD SERVICES

- 33,000m^2 state-of-the-art facility
- Experienced in offering:
  - Professional ship repair services
  - Fabrication and conversion for afloat and docking vessels

SUSTAINABILITY AT PACIFIC RADIANCE

We have always embraced sustainable business practices at Pacific Radiance. Our vision to become a global and best-in-class integrated marine solutions provider is based on meeting or exceeding our commitment to customers' requirements, whilst providing sustainable value to our stakeholders and developing our people.

Over the years, we have conducted our businesses professionally with strong emphasis on safety, quality, excellence and protection of the environment. In doing so, we have been guided by our Enterprise Risk Management ("ERM") framework and various policies including:

- Health and Safety Policy
- Environmental Policy
- Quality System Management Policy

STAKEHOLDER ENGAGEMENT

Stakeholder concerns and needs are key to forming our sustainability agenda and focus. We focus our stakeholder engagement efforts based on the significance of their influence on our business and our dependency on them. We engage with our key stakeholders on a regular basis to ensure two-way communication and this is summarised in the table below.

STAKEHOLDER	FREQUENCY	METHOD	TOPICS OF CONCERN	OUR RESPONSE
Employees	Monthly, Quarterly	Regular town hall meetings, monthly meetings between department heads, quarterly 'greenies' meetings, bi-yearly environmental awareness training	– Training needs – Welfare and benefits – Health, safety and security	– Sending employees for training – Regular performance review
Lenders	Quarterly, Ad-hoc	Routine reports, One-to-one meetings	– Economic performance and compliance to financial covenants – Restructuring updates	– Timely updates to relevant stakeholders
Investors	Annual, Ad-hoc	Annual and Extraordinary General Meetings, investor road shows, informal noteholder meetings and clinic sessions	– Economic performance – Regulatory compliance – Updates on restructuring	– Sharing of regular updates – Timely disclosures through SGXNet
Clients	Ad-hoc	Feedback survey Regular dialogue sessions	– Vessel functionality, availability, best practices and efficiency	– Relevant corrective actions – Vessel modifications – Bridging document to align operational goals
Regulators/ Government	Ad-hoc	Face-to-face meetings, participation at regulatory update meetings	– Ballast Water Management – GHG emissions reductions/sulphur limits – Safety and ransport of hazardous materials – Updates on restructuring	– Strict compliance to guidelines and standards – Timely response to address all concerns

SUSTAINABILITY REPORT

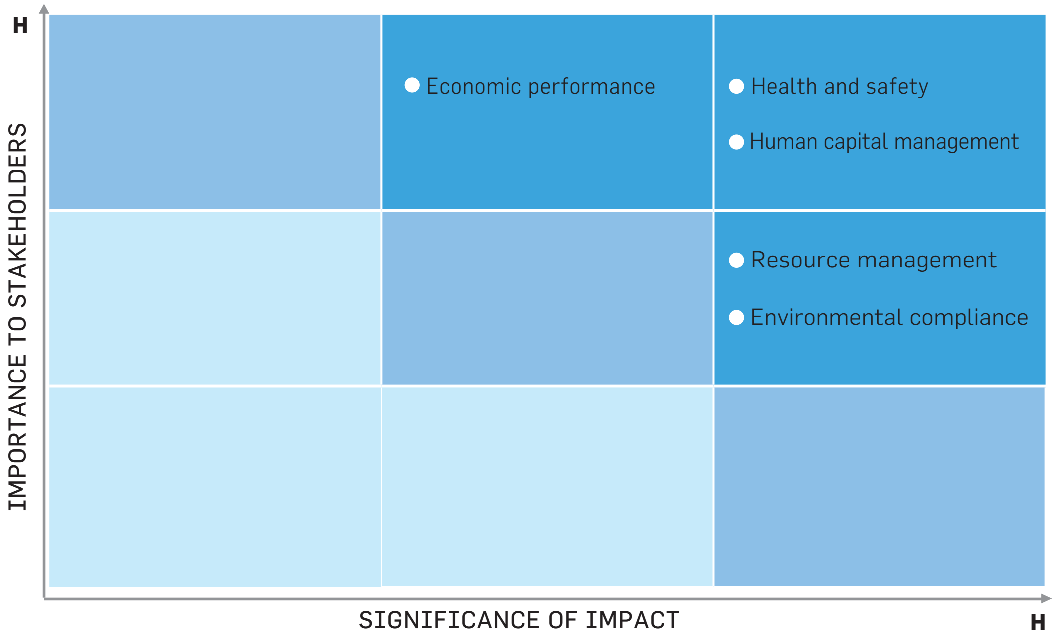
SUSTAINABILITY GOVERNANCE

The SGX guidelines have provided us an opportunity to view sustainability through the lens of materiality and align our existing efforts to ensure that we are responsible in every aspect of business that we do.

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

MATERIALITY ASSESSMENT

The assessment was conducted according to the GRI Standards' Principles for defining report content. We conducted a high-level exercise on a universe of factors to short-list the key Environmental, Social and Governance ("ESG") factors where our company creates significant impact. We then engaged our employees and management to seek their feedback on these factors and validated the results to arrive at our final list of material factors (see below). In the future, we may also consider engaging our other stakeholders such as regulators, clients and key investors in identifying their concerns in relation to our material topics.



Pacific Radiance Materiality Matrix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SUSTAINABILITY REPORT

RESOURCE MANAGEMENT

Environmental responsibility is on top of our agenda. Guided by our environmental policy, we strive to minimise our carbon footprint, manage our water discharge, reduce our wastage and ensure strict environmental compliance.

ENERGY AND EMISSIONS

We recognise that the shipping industry has a significant energy consumption through fuel use, resulting in almost 2.5% of global carbon emissions.

Our energy consumption occurs at three key locations: our vessels, which run on fuel oil, as well as our office premises and shipyard, which primarily use electricity.

To improve our fuel efficiency at an operational level, we follow the Ship Energy Efficiency Management Plan ("SEEMP") and are also focussing on automating our vessels and improving awareness of employees on energy and carbon issues. Furthermore, we operate according to the MARPOL – International Convention for the Prevention of Pollution from Ships.

We operate and own, directly and indirectly, 7 modern diesel electric vessels which offer considerable fuel savings in comparison to mechanical driven alternatives. In addition, one of our vessels has obtained the Environmental Notation from the classification society American Bureau of Shipping ("ABS"), a testament of our commitment and responsibility towards protecting the environment.

Because the fleet uses marine diesel oils instead of heavier fuel oils, our entire fleet is already compliant with the stringent sulphur cap regulations which limits sulphur emissions to less than 0.5% by 2020.

In line with our efforts towards environmental conservation, the Pacific Radiance Group has pledged its commitment to cleaner and greener vessel operations as part of the Maritime Port Authority's ("MPA") Maritime Singapore Green Pledge.

BEST PRACTICES ADOPTED FOR FUEL EFFICIENCY

- **Fuel efficient operations**
  - Improved voyage planning
  - Weather routing
  - Just-in-time arrival
  - Speed optimisation
- **Optimised ship handling**
  - Optimum trim
  - Optimum ballast
  - Optimum use of rudder and control systems
- **Hull Maintenance**
  - Propulsion system maintenance

SAVING FUEL AND ENHANCING EFFICIENCY THROUGH VESSEL AUTOMATION

We are seeing a growing trend of automation happening across our industry. Shipboard automation systems enable continuous monitoring of parameters such as temperature, pressure, flow of cooling water, fuel oil, lube oil etc. This data provides useful information for the crew to take operational decisions.

For example, fuel consumption data available through a digital platform, helps the operations manager to verify if the values are optimal. Since this data is made available without the intervention of the vessel crew, it also saves time and false reporting. The real time nature of the data also allows comparison with other identical vessels operating in the same field and thereby detect and implement corrective actions for overconsuming vessels.

Pacific Radiance has started its journey of embedding such automation systems into its vessels. This year, two of our vessels have been test bedded with this automation and we aim to scale this up to other vessels in our fleet going forward.

SUSTAINABILITY REPORT

WHY MATERIAL

Energy savings and emission reductions have a direct impact on our bottom line. They also help us mitigate the risk of volatile global oil prices, reduce our impact on the environment and mitigate risks of non-compliance to prevailing regulations.

OUR ACTIONS

- Adhere to ISO 14001 and track and monitor energy and emissions data regularly
- Work in accordance to the SEEMP
- Perform environmental awareness training for staff
- Automation of our vessels

PERFORMANCE

TOTAL ENERGY CONSUMPTION

Total electricity consumption:

2,218,889 kWh

Total marine diesel oil consumption:

45,441 tonnes

TOTAL GHG EMISSION

Scope 1:

145,683 TCO_2 eq.

Scope 2:

941 TCO_2 eq.

Total:

149,241 TCO_2 eq.

NOx: **2,225** tonnes

SOx: **120** tonnes

TOTAL WATER CONSUMPTION

Total fresh water consumed by office and shipyard:

9,302 m^3

LOOKING AHEAD

Continue to comply with the 2020 sulphur cap regulations

Notes:

1. We use the emission factors 3.206, 0.04896 and 0.00264 for calculation of CO2, NOx and SOx emissions respectively. [Source: http://www.imo.org/en/OurWork/Environment/PollutionPrevention/AirPollution/Documents/Third%20Greenhouse%20Gas%20Study/GHG3%20Executive%20Summary%20and%20Report.pdf]
2. We provide almost 5% (109,872 kWh) of the total electricity supplied to us (2,328,760 kWh) to vessels in our facility via cold ironing facilities. This is much better for the environment due to the efficiency of the power station versus use of a small diesel generator.
3. We use 0.046 as the grid emissions factor for electricity conversion. [Source: www.ema.gov.sg]
4. Our diesel oil data includes our vessels from PT Logindo, Strato Maritime and shipyard consumption.
5. Our electricity data includes our shipyard and office consumption.
6. We received a total of 22,546 m^3 freshwater at our sites. Out of this, 8,869 m^3 was supplied to external vessels and 4,375 m^3 was reclaimed new water.

EFFLUENTS AND WASTE

Ballast water disposal and waste reduction are two important components of how we manage our environmental risks. We take all required efforts in ensuring that the ballast water disposed into the waters is treated sufficiently so that it creates minimum harm to the environment. Similarly, we are making efforts to reduce wastage from our operations.

BALLAST WATER MANAGEMENT

Our vessels use water as ballasts for staying stable at sea. However, ballast water discharge contains a variety of biological materials including plants, animals, viruses and bacteria. These materials are often non-native and may cause damage to the ecological systems where they are discharged as well as issues to human health. The International Convention for the Control and Management of Ships' Ballast Water and Sediments ("BWM Convention"), which took effect in September 2017, requires all ships to implement a ballast water management plan. All ships are also required to monitor ballast water discharge and carry out ballast water management procedures according to a given standard. Pacific Radiance is prepared for all its vessels to be compliant with the BWM Convention as per the mandated timelines.

WASTE MANAGEMENT

We are committed to reduce waste at all levels in our operations. Guided by our waste management policy and Garbage Management Plan, we ensure that all waste is stored until a suitable treatment disposal route is available. We also label our waste by its composition, hazards and instructions of actions in case of an emergency, to ensure that our employees are ready to handle the waste at all times. Furthermore, we encourage our employees on Lean Practices across our operations, to minimise our total waste generated.

▶ LOOKING AHEAD

While all our vessels are in compliance with the basic D1 standards of the BWM Convention, we plan to achieve the D2 standards compliance by 2024.

ENVIRONMENTAL COMPLIANCE

Our environmental policy guides us in minimising and mitigating any negative environmental impact caused from our day-to-day operations and ensuring that we are in compliance with all environment-related regulations. This policy is driven by our Environmental Management System ("EMS") that is in line with the requirements of ISO 14001. Through these practices, we exercise a precautionary approach to environmental management.

In 2017, we did not face any significant fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations.

SPILLS MANAGEMENT

As a vessel operator and service provider to the oil and gas industry, oil spill is one of our key risks that we need to manage. Recently, there were changes to the Oil Pollution Preparedness, Response and Co-operation ("OPRC") model training courses. The courses have been revised to provide up-to-date guidance for preparedness and response to marine oil spills. There are four courses in the series, which range from an introductory level aimed at providing a general introduction and awareness to oil spill preparedness and response to a more tactical course aimed at those working in an incident command centre or managing a response operation, as well as a strategic course aimed at those with responsibility for determining preparedness levels and developing strategy in the response to a marine oil spill. We regularly send our staff for these trainings and we will continue to monitor the changes to the courses and ensure all relevant staff are kept up-to-date.

Despite our efforts, there was a minor spill amounting to 400 litres of diesel oil. Our response team acted swiftly to clean up the spill and was successful in keeping it from entering the water and causing any harm to the environment.

▶ LOOKING AHEAD

Maintain zero environmental fines and achieve zero spills.

RECYCLING (OFFICE)

2163 kg
Paper

999 kg
Glass

786 kg
Plastic

491 kg
Others

332 kg
Cans

SUSTAINABILITY REPORT

HUMAN CAPITAL MANAGEMENT

With more than 160 onshore employees working across our offices and vessels, our people are a key asset to our business. We manage our human capital by attracting the right talent, developing them and taking care of their safety and well-being.

TALENT ATTRACTION AND RETENTION

Recruiting and retaining the right talent is crucial given the challenging environment faced by our industry today. This year, we participated in the MPA Global Internship Award. This not only provided the students with hands-on practical maritime experience but also allowed us to build a talent pipeline in the industry. We also recognise the extensive experience of our staff and continue to retain them beyond their statutory retirement age with no change in employment terms.

TRAINING AND DEVELOPMENT

We invest in the training of our people to harness their full potential. This includes both on-the-job training as well as training defined by a position-based competence matrix. In addition, we also offer opportunities for our talented staff to take on overseas postings and transfers to help groom them for greater responsibilities.

LOOKING AHEAD

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

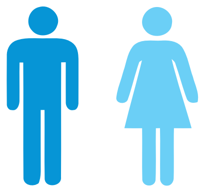
EMPLOYEE BENEFITS AND WELL-BEING

We offer a range of benefits to our employees to ensure their well-being. In addition to

7.84
average training hours/employee

1286
Training Hours

Annual voluntary turnover rate
15.2%



competitive remuneration, insurance and other leave incentives, we offer performance development reviews for all our employees. In line with the Maritime Labour Convention, we have also started offering financial security and insurance to seafarers in case of abandonment of ship which covers the repatriation of the employee.

We have a number of foreign workers employed at our shipyard and we take on the responsibility of their well-being by providing them with daily lunch subsidy and dormitory for lodging. These not only help defray their living expenses but also allow them to build camaraderie within the group. We advocate fair labour practices and allow our employees to have freedom of association. All our offshore personnel have the right to a bargaining agreement.

We also celebrate the diversity of our employees. Every year, we host Chinese New Year lunches and Christmas parties for our employees. We also encourage active participation in recreational events. This year, our seafarers took part in the International Sports Week organised by MPA.

Other benefits include:

- Health talks by external parties
- Complimentary lunches
- Access to a modern fully-equipped gym facility

LOOKING AHEAD

We are looking to trial and assess a flexi-work program in the next 2 years.

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

SUSTAINABILITY REPORT

HEALTH AND SAFETY

The health and safety ("H&S") of our people is our utmost priority. Guided by a number of policies and initiatives, our health and safety committee meets on a monthly basis to review any cases brought up. Regular training and awareness sessions are provided to staff to avoid lapses in future. All our vessels carry medical supplies and equipment in good supplies and meet the International Convention for the Safety of Life at Sea ("SOLAS") standards.

H&S-related training is a key factor to our staff's safety. We have installed Videotel training computers across our vessels to help facilitate training on H&S-related issues for our crew on-board. In 2017, our crew completed 13,186 courses, the equivalent of 6,593 training hours. In addition, we achieved the bizSAFE Level 3 certification from the Workplace Safety and Health Council.

PERFORMANCE

No. of fatalities	No. of Lost Time Injury ("LTI")	No. of Medical treatment cases ("MTC")	No. of first aid cases ("FAC")
0	0	3	3

No. of restricted work cases ("RWC")	Lost Time Injury Frequency ("LTIF")[1]	Total Recordable Incident Rate ("TRIR")[2]	Total Man Hours
0	0	0.21	5,668,067

Notes:
1. LTIF = No. of LTI x 1,000,000 / Total Man Hours
2. TRIR = (No. of LTI+ MTC+FAC +RWC) x 200,000 / Total Man Hours

LOOKING AHEAD

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


SAFETY FIRST
Pacific Radiance
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SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

Our industry is facing challenging times. Therefore, maintaining a strong economic performance and preserving value for our stakeholders remain as our prime concerns.

We are in the process of restructuring our borrowings and debt obligations. We believe that the restructuring, if successful, will enable us to sustain our operations under the current distressed market and position us for the eventual recovery of the sector.

(US$'000)	**FY2017**
Direct Economic Value Generated	67,675
Economic Value Distributed	104,869
Operating costs	73,142
Employee wages and benefits	9,468
Finance cost	19,615
Taxation	2,644
Economic Value Retained	(37,194)

LOOKING AHEAD

As the company presses on with the restructuring of its capital structure, we will continue to streamline our operations, while balancing the need to give back to the community and operating in a prudent and sustainable manner.

As one of our community initiatives in 2017, the company supported the humanitarian aid ship "Vega" by donating ropes for running lines and other requirements to assist with the operational running costs of the ship. Vega sailed to remote locations in Indonesia and East Timor, carrying supplies of medicines, medical equipment, text books and computers.

In 2017, our staff donated 150 pairs of shoes to Soles4Souls, a non-profit social enterprise which has distributed used shoes to the needy in 127 countries since 2006.

GRI CONTENT INDEX

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SUSTAINABILITY REPORT

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102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in reference to the Global Reporting Initiative ("GRI") Standards.	19
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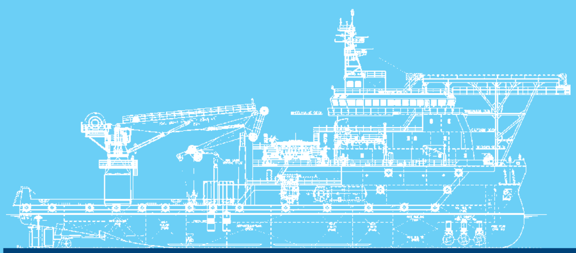
VESSEL PORTFOLIO

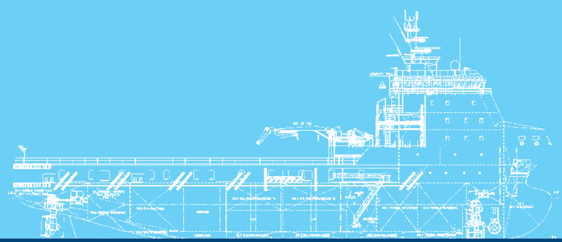
Directly Owned Vessels As At 31 December 2017



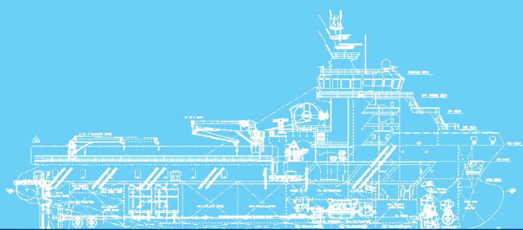
DIVING SUPPORT VESSELS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Odyssey 2	Singapore	12 men saturation dive system, 100 ton AHC subsea crane	ABS	2011
Crest Hydra	Singapore	Air dive & ROV, 24 ton AHC crane	BV	2014

PLATFORM SUPPLY VESSELS



NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Alpha 1	Singapore	3,000 DWT	ABS	2013
Crest Aries 1	Singapore	3,500 DWT	ABS	2013
Crest Argus 1	Singapore	4,000 DWT	BV	2014
Crest Argus 2	Singapore	4,000 DWT	BV	2014
Crest Apollo	Singapore	4,900 DWT	ABS	2014
Crest Victoria	Singapore	4,900 DWT	ABS	2014
Crest Argus 3	Singapore	4,000 DWT	BV	2015
Crest Argus 5	Singapore	4,000 DWT	BV	2015

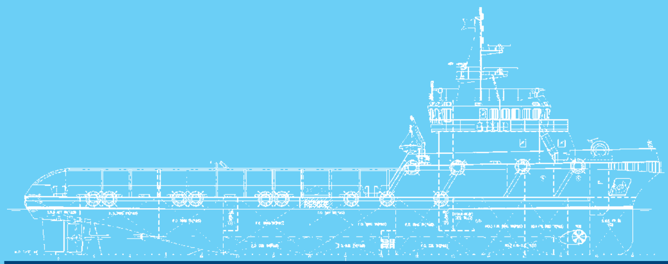


ANCHOR HANDLING TUG & SUPPLY VESSELS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Amethyst	Singapore	5,150 BHP	ABS	2012
Crest Tourmaline	Singapore	5,150 BHP	ABS	2012
Crest Mercury One	India	6,000 BHP	IRS	2015
Crest Mercury Two	India	6,000 BHP	IRS	2015
Crest Mercury 3	Singapore	6,000 BHP	BV	2015
Crest Mercury 5	Singapore	6,000 BHP	BV	2015
Crest Optimus	Singapore	17,500 BHP	ABS	2015
Crest Meridian 1	Singapore	8,000 BHP	ABS	2016

VESSEL PORTFOLIO

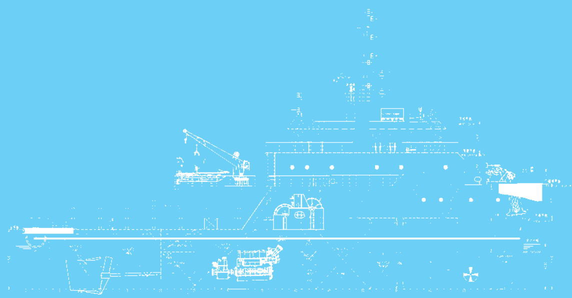
Directly Owned Vessels As At 31 December 2017



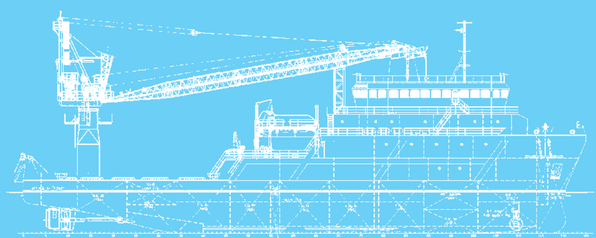
MULTI-PURPOSE SUPPORT VESSELS

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Radiant 3	Singapore	3,200 BHP	BV	2008
Crest Radiant 5	Singapore	3,200 BHP	BV	2009

ANCHOR HANDLING TUGS

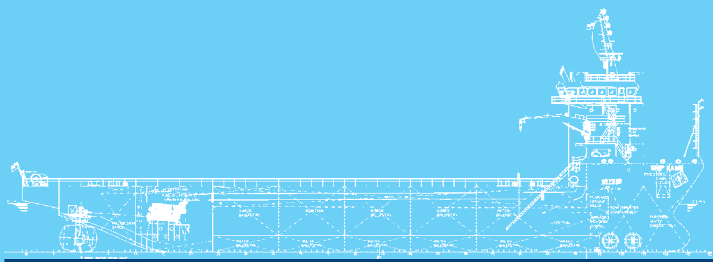


NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Spartan 1	Singapore	4,400 BHP	BV	2009
Crest Spartan 3	Singapore	4,400 BHP	BV	2010
Crest Spartan 8	Singapore	4,400 BHP	BV	2010
Crest Apache	Singapore	5,150 BHP	ABS	2013



MAINTENANCE WORK VESSELS

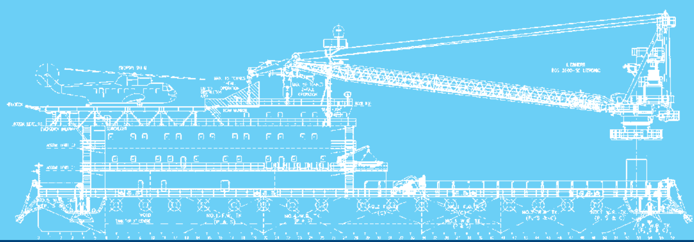
NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Nautilus 1	Singapore	120 men, 40 ton crane	ABS	2010
Crest Nautilus 2	Singapore	120 men, 40 ton crane	ABS	2010
Crest Athena 1	Singapore	208 men, 64 ton crane	ABS	2014
Crest Athena 2	Singapore	208 men, 64 ton crane	ABS	2014
Crest Centurion 2	Singapore	239 men, 100 ton crane	ABS	2016



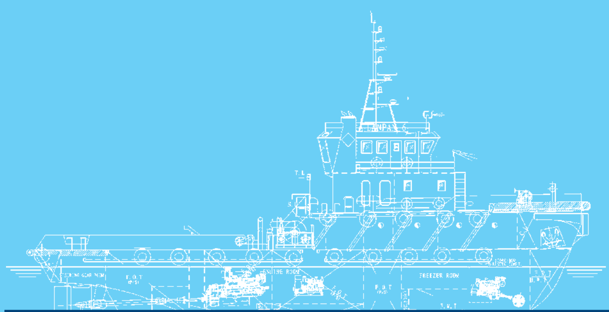
SPECIAL CARRIER VESSEL

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

ACCOMMODATION WORK BARGES



NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Support 1	Panama	120 men	BV	2008
Crest Support 5	Panama	200 men, 50 ton crane	BV	2009
Crest Provider (Warehouse Accommodation Work Barge)	Panama	200 men, 40 ton crane, 70 ton crane	ABS	2011

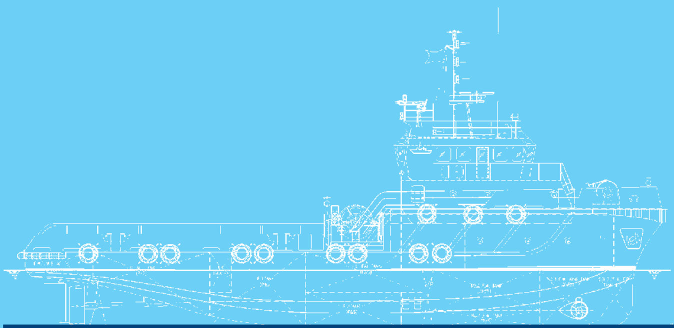


OCEAN TOWING TUGS

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

VESSEL PORTFOLIO

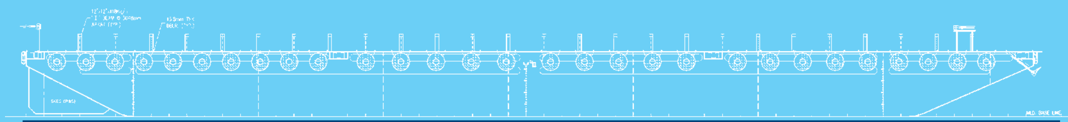
Directly Owned Vessels As At 31 December 2017



UTILITY SUPPLY VESSEL

NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest Voyager	Singapore	2,000 BHP	BV	2006

OFFSHORE BARGES



NAME	FLAG	SPECIFICATIONS	CLASSIFICATION SOCIETY	YEAR DELIVERED
Crest 259	Singapore	5,300 DWT	BV	2007
Crest 251	Singapore	5,300 DWT	BV	2008
Crest 289	Singapore	6,000 DWT	BV	2008
Crest 287	Singapore	6,000 DWT	BV	2010
Crest 2821	Singapore	8,490 DWT	ABS	2010
Crest 2822	Singapore	8,490 DWT	ABS	2010
Crest 148	Singapore	960 DWT	ABS	2010
Crest 2801	Singapore	6,000 DWT	BV	2011
Crest 2802	Singapore	6,000 DWT	BV	2011

CORPORATE GOVERNANCE REPORT

The Group is committed to maintaining a high standard of corporate governance to protect shareholders' interests and enhance shareholders' value. The Group adopts practices based on the revised Code of Corporate Governance 2012 ("Code") issued on 2 May 2012. This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 December 2017 ("FY2017"), with specific reference made to the principles and guidelines as set out in the Code and listing manual of SGX ("Listing Manual") where applicable except where otherwise stated.

BOARD MATTERS

Principle 1: The Board's conduct of its affairs

The primary function of the Board of Directors ("Board") is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and performance reviews, key operational initiatives, major funding and investment proposals, and corporate governance practices.

In addition, the principal duties of the Board include:

- Reviewing the Group's strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- Overseeing the process for evaluating the adequacy of internal control, risk management, financial reporting, and compliance;
- Reviewing the performance of senior management;
- Reviewing the Group's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met;
- Considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.

The Board has delegated certain functions to various board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC"), and Remuneration Committee ("RC"). Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The Directors' attendance at Board and board committee meetings in FY2017 is set out below:

	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
Name of Director	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**
Pang Yoke Min	4	4						
Mok Weng Vai	4	4						
Pang Wei Meng	4	3			1	1		
Lau Boon Hwee	4	4						
Yong Yin Min	4	4	5	5			2	2
Ng Tiong Gee	4	4			1	1	2	2
Ooi Chee Kar	4	4	5	5				
Goh Chong Theng	4	4	5	5			2	1
Wong Meng Hoe	4	3			1	1		
Choo Boon Tiong*	4	1					2	1

* ceased to be a Director and his role as Chairman of the Remuneration Committee of the Company on 28 April 2017.

CORPORATE GOVERNANCE REPORT

Matters specifically reserved for the Board's approval are those involving major acquisitions and disposal of assets not in the ordinary course of business, corporate or financial restructuring, share issuances, dividends to shareholders, and interested person transactions. Clear directions have been imposed on Management that such matters must be approved by the Board. Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to optimise operational efficiency.

The Board ensures that incoming new Directors are familiarised with the Group's businesses and corporate governance practices upon their appointment, to facilitate the effective discharge of their duties. Directors are constantly kept abreast of developments in regulatory, legal, and accounting frameworks that are of relevance to the Group through participation in the relevant training courses, seminars, and workshops.

Principle 2: Board size and board composition

The Board comprises nine Directors, five of whom are Independent Non-Executive Directors and four are Executive Directors. Taking into account the nature and scope of the Group's businesses and the number of board committees, the Board considers its current board size as appropriate.

Each year, the NC will review the size and composition of the Board and board committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent, bearing in mind the guidelines set forth in the Code and any other salient factor which would render a director to be deemed not independent. For the purpose of determining directors' independence, every Independent Director has provided declaration of their independence which is deliberated upon by the NC and the Board.

The Board also recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. When there are such directors, the Board will conduct a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these directors. Presently, none of the Independent Directors has served as Independent Director of the Group for more than nine years.

The Independent Directors make up majority of the Board, which complies with the requirements set out in the Code. This provides a strong and independent element on the Board. This is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgment on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined.

The Non-Executive Directors participate actively in the Board meetings. Well equipped with their expertise, experience and knowledge, the Non-Executive Directors constructively challenge and help develop directions on strategy and review the performance of Management in achieving agreed targets and objectives and monitor the reporting of performance. Where necessary, the Non-Executive Directors do meet and discuss on the Group's affairs without the presence of Management.

Principle 3: Chairman and Chief Executive Officer

Mr. Pang Yoke Min is currently the Executive Chairman of the Board and the Company. Given the nature of business activities of the Group, the Board is of the view that with Mr. Pang's extensive knowledge and experience in the industry, it is more effective for him to guide the Board on the discussions on issues and challenges facing the Group and in view of the strong element of independence of the Board, it is not pertinent to separate the functions of the Chairman and CEO.

The Chairman is responsible for:

- Leading the Board to ensure its effectiveness;
- Managing the Board's business, including supervising the work of the Board committees;
- Setting the Board agenda and ensuring the information flow and timing are adequate for discussion of all set agenda items, in particular strategic issues;
- Setting the tone of Board discussion to promote open and frank debate and effective decision-making;
- Facilitating the effective contribution of Non-Executive Directors;
- Ensuring effective communication with shareholders;
- Encouraging constructive relations with the Board and between the Board and Management; and
- Continuous pursuance of high standards of corporate governance.

The Board has appointed Independent Non-Executive Director, Mr. Ng Tiong Gee, as the Lead Independent Director.

Principle 4: Board membership

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

- Ng Tiong Gee (NC Chairman), Lead Independent Director
- Wong Meng Hoe, Independent Director
- Pang Wei Meng, Executive Director

The NC is responsible for:

- Nomination and re-nomination of the directors of the Company having regard to their contribution, performance, and ability to commit sufficient time and attention to the affairs of the Group, taking into account their respective commitments outside the Group;
- Determining annually whether or not a director is independent;
- Deciding whether or not a director is able to and has been adequately carrying out his/her duties as a director;
- Review of board succession plans for directors, and in particular, the Executive Chairman;
- Development and implementation of a process for evaluation of the performance of the Board, its committees and directors;
- Formal assessment of the effectiveness of the Board as a whole and individual director;
- Review of training and professional development programs for the Board;
- Review and approval of new employment of persons related to the Directors and Controlling Shareholders and the proposed terms of their employment; and
- Appointment and re-appointment of directors.

The task of assessing the independence of directors is delegated to the NC. The NC reviews the independence of each Director annually, and as and when circumstances require.

Annually, each Director is required to complete a Director's Independence Checklist ("Checklist") to confirm his/her independence. The Checklist is drawn up based on the guidelines provided in the Code.

Each director must also confirm in the Checklist whether he/she considers himself/herself independent despite not having any relationships identified in the Code.

Thereafter, the NC reviews the Checklist completed by each Director, assess the independence of the Directors, and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that all the Independent Non-Executive Directors are independent.

Under the guideline 4.4 of the Code, the NC should decide if a director is able to and had been adequately carrying out his/her duties as a Director of the company, taking into consideration of the director's number of listed company board representations and other principal commitments. Presently, the NC believes that each Director's contribution and devotion of time and attention to the Company's affairs, having regarded to his/her other commitments, are adequate and effective. The NC and the Board are of the view that, setting a maximum number of listed company board representations a director should have is not meaningful currently, as the contribution of each Director would depend on many factors, including whether they have a full time vocation or other responsibilities. The Board will determine the maximum number of listed company board representations which any director may hold upon recommendation by the NC at an appropriate juncture.

In determining whether a director is able to and had been adequately carrying out his/her duties as a Director of the Group, the NC also takes into account the results of the assessment of individual directors, and the respective directors' actual conduct on the Board, in making this determination.

The NC has put in place a formal process for the selection of new directors to increase transparency of the nomination process in identifying and evaluating nominees for directors. The NC leads the process as follows:

- NC evaluates the balance, skills, knowledge, and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have;
- After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process;
- NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required;
- NC recommends the most suitable candidate to the Board for appointment as director.

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing Directors, the NC takes into consideration the Director's contribution and performance (including his/her contribution and performance as an Independent Director, if applicable).

The assessment parameters include attendance record and preparedness at meetings of the Board and board committees as well as the quality of input to matters arising and any other special contribution.

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Article 111 of the Company's Constitution provides that one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-election at the Company's AGM.

In addition, Article 115 of the Company's Constitution provides that a newly appointed director during the financial year must retire and submit himself/herself for re-election at the next AGM following his/her election. Thereafter, he/she is subject to be re-elected at least once every three years.

Pursuant to Article 111 of the Company's Constitution, Mr. Pang Yoke Min, Mr. Mok Weng Vai and Mr. Wong Meng Hoe will retire as a Director of the Company at the forthcoming AGM. Mr. Wong had indicated to the Company that he will not be seeking for re-election and will retire as a Director of the Company at the conclusion of the coming AGM. Both Mr. Pang and Mr. Mok, being eligible, had offered themselves for re-election as a Director of the Company at the forthcoming AGM of the Company. The NC is satisfied that the Directors retiring in accordance with the Article 111 of the Company's Constitution at the forthcoming AGM are properly qualified for re-election by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations.

The key information on Directors and Directors who are seeking re-election at the forthcoming AGM is set out in the section entitled "Board of Directors and Executive Officers" of the Annual Report.

Principle 5: Board performance

A review of the Board's performance is conducted by the NC annually. On the recommendation of the NC, the Board has adopted an internal process for evaluating the effectiveness of the Board as a whole. The Company has also put in place a process to assess the performance of individual Directors as well as the Board Committees. Each board member will be required to complete an appraisal form to be returned to the NC Chairman for evaluation. Based on the evaluation results, the NC Chairman will present his recommendations to the Board. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance. The Chairman, in consultation with the NC, proposes, where appropriate, new directors to be appointed to the Board or seeks the resignation of directors.

Principle 6: Access to information

Management recognises the importance of ensuring the flow of information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. All Board and board committee papers are distributed to Directors in advance to allow sufficient time for Directors to prepare for the meetings.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. To facilitate direct access to the senior management, Directors are also provided with the names and contact details of the management team.

Directors have separate and independent access to the Company Secretary. The Company Secretary's responsibilities include among other things, assisting in ensuring that Board procedures are observed and that Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and Listing Manual, are complied with.

The Company Secretary and/or her representative attend and prepare minutes for all Board and board committees meetings, as well as assist in ensuring coordination and liaison between the Board, the board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman/Chairperson of board committees and management in the development of the agendas for the various Board and board committee meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Should Directors, whether as a group or individually, require professional advice, the Group, upon direction by the Board, shall appoint a professional advisor selected by the Group or the individual, approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.

REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

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

- Yong Yin Min (RC Chairman), Independent Director
- Ng Tiong Gee, Lead Independent Director
- Goh Chong Theng, Independent Director

CORPORATE GOVERNANCE REPORT

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No member of the RC is involved in deliberations in respect of any remuneration, compensation, options, or any form of benefits to be granted to him.

The members of the RC carried out their duties in accordance with the terms of reference which include the following key terms:

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to, director's fees, salaries, allowances, bonuses, grant of shares, and share options and benefits in kind;
- Review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel;
- Consult professional consultancy firms where necessary in determining remuneration packages;
- Consider the various disclosure requirements for directors' remuneration and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

Principle 8: Level and mix of remuneration

Executive Directors are paid a basic salary and a performance-related bonus linked to the performance of the Company. Key management personnel are paid a basic salary and a performance bonus based on their achievement of key performance indicators. The RC does consider long-term incentive schemes for the Executive Directors and key management personnel. In this connection, the RC shall at the relevant time look into granting of shares under the Pacific Radiance Performance Share Plan which was approved by the shareholders of the Company on 28 October 2013.

The performance-related element of the Executive Directors' remuneration is designed to align their interests with the interests of shareholders and promote the long-term success of the Company.

The RC also ensures that the remuneration of the Non-Executive Directors is appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. Non-Executive Directors receive a basic fee for their services and are eligible to participate in the Pacific Radiance Performance Share Plan. The RC ensures that the Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised. There was no Non-Executive Director in the Group after the re-designation of Mr. Yong Yin Min as an Independent Director with effect from 28 April 2017.

Principle 9: Disclosure of remuneration

The remuneration of each individual Director and aggregate remuneration of top five key management personnel of the Group is not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

The breakdown of the Directors' and key management personnel's remuneration in bands of S$250,000 should, in the Board's assessment, provide adequate overview of the remuneration of the Directors and key management personnel.

The remuneration paid to or accrued to each individual Director for FY2017 is as follows:

	Fees %	Salary(1) %	Bonus(1) %	Other Benefits(2) %	Total %
S$250,001 to S$500,000					
Pang Yoke Min	9.48	65.84	0	24.68	100
Mok Weng Vai	10.06	69.14	0	20.80	100
Pang Wei Meng	12.18	66.14	0	21.68	100
Lau Boon Hwee	10.88	69.10	0	20.02	100
Below S$250,000					
Yong Yin Min	100	–	–	–	100
Ng Tiong Gee	100	–	–	–	100
Ooi Chee Kar	100	–	–	–	100
Goh Chong Theng	100	–	–	–	100
Wong Meng Hoe	100	–	–	–	100
Choo Boon Tiong*	100	–	–	–	100

(1) Salary and bonus include employer's contributions to Central Provident Fund.

(2) Other benefits refer to benefits-in-kind such as car, housing allowances, club membership etc. made available to directors as appropriate.

* ceased to be a Director and his role as Chairman of the Remuneration Committee of the Company on 28 April 2017.

There are only two top key management personnel (who are not directors or the CEO) whom the Company considers to be key executives of the Group. The remuneration paid to or accrued to the top key management personnel (who are not directors or the CEO) for FY2017 is as follows:

	Salary(1) %	Bonus(1) %	Other Benefits(2) %	Total %
S$250,001 to S$500,000				
Pang Wei Kuan, James	65.31	0	34.69	100
Iris Chia*	66.29	0	33.71	100
Loo Choo Leong**	52.17	0	47.83	100

(1) Salary and bonus include employer's contributions to Central Provident Fund.

(2) Other benefits refer to benefits-in-kind such as car, housing allowances, club membership etc. made available to key management personnel as appropriate.

* appointed as Chief Financial Officer on 3 April 2017.

** resigned as Group Finance Director on 31 March 2017.

There are only two employees who are considered to be immediate family members of a director or a CEO, and whose remuneration exceeds S$50,000 in FY2017:

- Mr. Pang Wei Meng, the son of Mr. Pang Yoke Min, Executive Chairman of the Company, is employed by the Company as Executive Director and has received remuneration in that capacity.

- Mr. Pang Wei Kuan, James, the son of Mr. Pang Yoke Min, Executive Chairman of the Company, and brother of Mr Pang Wei Meng, Executive Director of the Company, is employed by the Company as Managing Director of Commercial and Business Development and has received remuneration in that capacity.

CORPORATE GOVERNANCE REPORT

For FY2017, save as disclosed in the above table which shows the breakdown of the remuneration (in percentage terms) of Mr. Pang Wei Meng and Mr. Pang Wei Kuan, James, the Company and its subsidiaries do not have any other employee who is an immediate family member of a director and whose remuneration exceeds S$50,000.

The Company has opted to disclose the remuneration of Mr. Pang Wei Meng and Mr. Pang Wei Kuan, James, in incremental bands of S$250,000, in line with the disclosure of other Directors and top key management personnel, instead of S$50,000 according to Guideline 9.4 of the Code, due to the highly competitive industry condition, and the confidential and sensitive nature of the remuneration of its top key staff.

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

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with management accounts, operations reviews and related explanations together with the financial statements on a quarterly basis and as the Board may require from time to time. The AC reviews the financial statements and reports to the Board for approval.

The Board reviews and approves the results before its release. The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters and full financial year are released to shareholders within the timeframe in line with Rule 705 of the Listing Manual. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Board also provides negative assurance confirmation to shareholders on the integrity of the quarterly financial statements.

Principle 11: Risk management and internal controls

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

Management is responsible to the Board for the design, implementation, and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies.

The Company has engaged an external professional firm as the internal auditors who will assist the Board and the AC in their review of the Group's risk management and internal control systems. The Board and the AC also work with the internal auditors, external auditors, and the Management on their recommendations to institute and execute relevant controls with a view to managing such risks.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors, discussions with external auditors and reviews performed by Management, the AC, and the Board, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational and compliance risks, and information technology controls and risk management systems were adequate for the financial year ended 31 December 2017. This is in turn supported by assurance from the Executive Chairman and the Chief Financial Officer that (i) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) regarding the effectiveness of the Group's risk management and internal control systems.

The Board acknowledges that it is responsible for maintaining a sound system of internal control and risk management, but recognises that no cost effective internal control system and risk management will preclude all errors and irregularities. Internal controls and risk management can provide only reasonable and not absolute assurance against material misstatement, losses, human errors, fraud or other irregularities.

Principle 12: Audit committee

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

- Goh Chong Theng (AC Chairman)
- Ooi Chee Kar
- Yong Yin Min

The duties of the AC include:

- Review with the external auditors the audit plan, their audit result report, their management letter, and the management's response;
- Review with the internal auditors the internal audit plan and their evaluation of the adequacy of the internal controls and accounting system;
- Monitor and review the implementation of the external auditor's and internal auditor's recommendations concurred with management in relation to the adequacy of the internal controls and accounting system addressing financial, operational and compliance risks;
- Review the quarterly and annual financial statements before submission to the Board for approval;
- Consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors and approve the compensation of the external auditor;
- Review interested person transactions in accordance with the requirements of the Listing Manual; and
- Review any potential conflict of interest as and when the need arises and resolve such conflict of interest.

During the course of review of the financial statements for the financial year ended 31 December 2017, the AC discussed with the Management and the external auditor on the significant issues that were brought to the AC's attention. These material issues which the external auditor assessed to be most significant in its audit of the financial statements for the year under review, namely appropriateness of going concern assumption, assessment of vessel impairment, assessment of impairment of trade receivables and amount due from related companies.

The AC reviewed the work performed by the Management and made enquiries relevant to the key audit focus areas. In addition, the AC also reviewed and discussed the findings presented and related work performed by the external auditor. The AC was satisfied that these material issues have been properly addressed and appropriately adopted and disclosed in the financial statements.

The AC reviews the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. An analysis of fees paid in respect of audit and non-audit services provided by breakdown for FY2017 is disclosed in Note 7 to the financial statements. The AC has reviewed all non-audit services provided by the external auditors and is satisfied that these non-audit services would not affect the independence and objectivity of the external auditors.

The Group has complied with Rule 712, Rule 715, and Rule 716 of the Listing Manual in the appointment of its auditors. The AC recommends to the Board the reappointment of Messrs Ernst & Young LLP as the external auditors of the Group at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

In the course of FY2017 and since its appointment, the AC carried out the following activities:

- Reviewing quarterly and full year financial statements (audited and unaudited), and recommending to the Board for approval;
- Reviewing and approving the interested/related parties transactions;
- Reviewing and approving the annual audit plan of the external auditors;
- Reviewing and approving the internal audit plan and appointment of internal auditors; and
- Reviewing the annual re-appointment of the external auditors and determining their remuneration, and making a recommendation for Board approval.

The AC has also met with the auditors, without the presence of management.

The AC is kept abreast by the Management, Company Secretaries and the independent auditor of changes to accounting standards, Listing Rules of the SGX and other regulations which could have an impact on the Group's business and financial statements.

The Company has adopted a Whistle Blowing Policy since 2014 which sets the framework to encourage the reporting in good faith of serious concerns or escalate serious matters on a confidential basis without fear of reprisal, dismissal, or discriminatory treatment. The Whistle-Blowing Policy provides procedures to validate concerns and for investigation to be carried out independently. The Whistle-Blowing Policy has been circulated to all employees of the Group.

Principle 13: Internal audit

The Company has outsourced its internal audit function to RSM Ethos Pte Ltd. The internal auditor's primary line of reporting is to the AC Chairman. Administratively, the internal auditor reports to the Executive Chairman. The internal auditor carries out its function in accordance to the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC ensures that Management provides good support to the internal auditors and provides them with access to documents, records, properties, and personnel when requested in order for the internal auditors to carry out their function accordingly.

The AC reviews the adequacy and effectiveness of the internal audit function at least annually.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders, are protected.

The Group is committed to providing shareholders with adequate, timely, and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation during the AGM which will be held at its office premise in Singapore. Shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance, and other business related matters.

Principle 15: Communication with shareholders

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective, and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in an adequate, accurate, and timely manner via SGXNET, press release, and corporate website. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

The Group's corporate website is the key resource of information for shareholders. In addition to the quarterly financial results materials, it contains a wealth of investor related information on the Group, including investor presentations, annual reports, shares and dividend information and factsheets.

The Group participates in investor seminars and conferences to keep the market and investors apprised of the Group's corporate developments and financial performance. Such engagements provide invaluable insights to the Board and management on investors' views and also help the Group to identify areas of improvement for investor communication.

The Company does not have a formal dividend policy. The Company may declare an annual dividend with the approval of the shareholders in a general meeting, but the amount of such dividend shall not exceed the amount recommended by the Board. The Board may also declare an interim dividend without the approval of the shareholders.

Principle 16: Conduct of shareholders meetings

The Group supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the company website.

The Company's Constitution allows all shareholders to appoint up to two proxies to attend general meetings and vote on their behalf. As the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

At the upcoming AGM, a member who is a relevant intermediary which provide nominee or custodial services is entitled to appoint more than two proxies to attend, speak and vote at the meeting, so shareholders who hold shares through such intermediary can attend and participate in general meeting as proxies.

The Company will conduct a poll voting for all the proposed resolutions at the AGM for greater transparency in the voting process. The total numbers of votes cast for or against the resolutions will also be announced after the meeting via SGXNET.

The Company provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single item resolutions.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

Save for the services provided by an associate of Mr. Pang Yoke Min to the Group, of which the aggregate value did not exceed S$100,000, there was no other interested person transaction entered into by the Group for FY2017.

MATERIAL CONTRACTS

Save for the service agreements entered into between the Executive Directors and the Company, there was no material contract entered into by the Company and its subsidiaries involving the interests of any Director or controlling shareholders subsisting at the end of the financial year ended 31 December 2017.

DEALING IN SECURITIES

The Company has adopted an internal code on dealings in securities. Directors and Officers are not allowed to deal in the Company's shares during the periods commencing two weeks before announcement of the Group's quarterly results and one month before the announcement of the Group's full year results and ending on the date of announcement of such result, or when they are in possession of unpublished price-sensitive information on the Group. In addition, the Officers of the Company are advised not to deal in the Company's securities on short term considerations and are expected to observe the insider trading rules at all times even when dealing in the Company's securities within the permitted trading periods.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Pacific Radiance Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, based on the factors as described in Note 2.1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Pang Yoke Min
Mok Weng Vai
Pang Wei Meng
Lau Boon Hwee
Yong Yin Min
Ng Tiong Gee
Ooi Chee Kar
Goh Chong Theng
Wong Meng Hoe

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in Paragraph 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), an interest in shares and performance shares of the Company and related corporations (other than wholly owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Pang Yoke Min	18,951,744	20,120,444	466,638,700	465,470,000
Mok Weng Vai	46,896,256	46,896,256	–	–
Pang Wei Meng	40,000	40,000	–	–
Lau Boon Hwee	1,609,970	1,609,970	–	–
Yong Yin Min	27,713,000	27,713,000	–	–
Ng Tiong Gee	25,000	25,000	–	–
Goh Chong Theng	240,000	240,000	–	–
Wong Meng Hoe	100,000	100,000	–	–
Performance share plan of the Company				
Pang Yoke Min	218,000	436,000	–	–
Mok Weng Vai	142,000	284,000	–	–
Lau Boon Hwee	142,000	284,000	–	–
Pang Wei Meng	142,000	284,000	–	–
Ordinary shares of the holding company YM Investco Pte Ltd				
Pang Yoke Min	16,000	16,000	–	–
Pang Wei Meng	2,000	2,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' STATEMENT

5. PERFORMANCE SHARE PLAN

The Pacific Radiance Performance Share Plan ("Performance Share Plan") was approved by the shareholders on 28 October 2013 prior to the Company's listing on the mainboard of SGX on 13 November 2013. The Board has appointed the Remuneration Committee (the "RC") comprising Mr Yong Yin Min, Mr Ng Tiong Gee and Mr Goh Chong Theng to administer the Performance Share Plan. No member of the RC shall participate in any deliberation or decision in respect of awards granted or to be granted to him or his associates.

During the financial year, the Company has granted 2,029,000 share awards under the Performance Share Plan. Further details regarding the Performance Share Plan are disclosed in Note 32.

Details of the share awards granted to directors, controlling shareholder and employees of the Company pursuant to the Performance Share Plan are as follows:

Name of participant	Awards granted during financial year	Aggregate awards granted since commencement of plan to end of financial year	Aggregate awards vested since commencement of plan to end of financial year	Aggregate awards outstanding as at end of financial year
Controlling shareholder				
Pang Yoke Min	218,000	436,000	–	436,000
Directors				
Mok Weng Vai	142,000	284,000	–	284,000
Pang Wei Meng	142,000	284,000	–	284,000
Lau Boon Hwee	142,000	284,000	–	284,000
Associate of controlling shareholder other than directors				
Pang Wei Kuan	142,000	284,000	–	284,000

Since the commencement of the Performance Share Plan till the end of the financial year:

- No awards that entitle the holder to participate, by virtue of the awards, in any share issue of any other corporation have been granted.
- No participants have been granted awards which represent 5% or more of the total share awards available under the Performance Share Plan.
- No awards have been granted at a discount.

6. AUDIT COMMITTEE

The Audit Committee (the "AC") has carried out its functions in accordance with section 201B (5) of the Act, including the following:

- reviewed with the external auditor the audit plan, their audit result and report, their management letter and the management's response;
- reviewed with the internal auditor the internal audit plan and their evaluation of the adequacy of the internal controls and accounting system;
- monitored and reviewed the implementation of the external auditor's and internal auditor's recommendations concurred with management in relation to the adequacy of the internal controls and accounting system addressing financial, operational and compliance risks;
- reviewed the quarterly and annual financial statements of the Group and the Company before submission to the Board for approval;
- considered the appointment or re-appointment of the external auditor and matters relating to resignation or dismissal of the auditor and approved the compensation of the external auditor;
- reviewed interested person transactions in accordance with the requirements of the Listing Manual; and
- reviewed any potential conflict of interest as and when the need arises and resolve such conflict of interest.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

The AC has recommended to the board of directors that the independent auditor, Ernst & Young LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Further details regarding the AC are disclosed in the Corporate Governance Report.

7. AUDITOR

Ernst & Young LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Pang Yoke Min Director	Mok Weng Vai Director

22 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACIFIC RADIANCE LTD.

For the financial year ended 31 December 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the financial statements of Pacific Radiance Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet and the statement of changes in equity of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Use of the going concern assumption

As disclosed in Note 2, the Company's current and total liabilities exceeded its current and total assets by US$99,142,000 and US$59,325,000 respectively as at 31 December 2017. For the financial year ended 31 December 2017, the Group incurred a net loss of US$343,168,000 which included impairment charges of US$272,148,000 and a negative operating cash flow of US$22,909,000. As at 31 December 2017, the Group's current and total liabilities exceeded its current and total assets by US$488,747,000 and US$56,935,000 respectively.

As further disclosed in Note 10, 26 and 41 to the financial statements, the Group has assets with a carrying value of US$356,140,000 as at 31 December 2017 that have been mortgaged to the banks to secure the Group's bank loans. The banks are entitled to enforce their rights against the mortgaged assets given the terms of the bank loans have been breached during the year. Vendor of certain subsidiaries of the Group has taken certain legal proceedings against the subsidiaries. The subsidiaries have been granted moratorium of six months with effect from 11 June 2018. The consent solicitation exercise held by the Company in February 2018 for the restructuring of the notes payable due in August 2018 was not approved by noteholders. These factors give rise to material uncertainties on the appropriateness of the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and the Company.

The financial statements have been prepared using the going concern assumption as the Directors are of the view that the Group and the Company will be able to successfully complete the restructuring exercise as discussed in Note 2 and 41. However, we are unable to obtain sufficient appropriate evidence to conclude whether the use of the going concern assumption to prepare these financial statements is appropriate as the outcome of the restructuring exercise has yet to be concluded satisfactorily at the date of these financial statements and is inherently uncertain.

If the going concern assumption is not appropriate and the financial statements are presented on a realisation basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the balance sheet. If the Group and Company is unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and Company may have to reclassify its non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to these financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the Financial Reporting Standards in Singapore ("FRSs"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Responsibilities of Auditor for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the Group and Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis of Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chan Yew Kiang.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

22 June 2018

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Revenue	4	**67,675**	69,421
Cost of sales		**(86,507)**	(101,218)
Gross profit		**(18,832)**	(31,797)
Other operating income	5	**13,092**	16,894
General and administrative expenses		**(16,598)**	(21,003)
Other operating expenses		**(279,611)**	(60,937)
Finance costs	6	**(19,615)**	(16,559)
Share of results of joint ventures		**(14,015)**	(4,756)
Share of results of associates		**(4,945)**	–
Loss before taxation	7	**(340,524)**	(118,158)
Taxation	8	**(2,644)**	(3,519)
Loss for the year		**(343,168)**	(121,677)
Loss for the year attributable to:			
Equity holders of the Company		**(332,482)**	(118,628)
Non-controlling interests		**(10,686)**	(3,049)
		(343,168)	(121,677)
Loss per share attributable to equity holders of the Company (US cents per share)			
Basic	9	**(46.6)**	(16.6)
Diluted	9	**(46.6)**	(16.6)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	2017 US$'000	2016 US$'000
Loss for the year	**(343,168)**	(121,677)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
– Foreign currency translation	**(1,430)**	736
– Net fair value changes on cash flow hedges	**612**	1,757
– Share of other comprehensive income of an associate	**325**	376
	(493)	2,869
Items that will not be reclassified to profit or loss		
– Re-measurement of defined benefit plans	**1**	42
Other comprehensive income for the year, net of tax	**(492)**	2,911
Total comprehensive income for the year	**(343,660)**	(118,766)
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**(332,971)**	(115,752)
Non-controlling interests	**(10,689)**	(3,014)
	(343,660)	(118,766)

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

BALANCE SHEETS

As at 31 December 2017

	Note	Group 2017 US$'000	Group 2016 US$'000	Company 2017 US$'000	Company 2016 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	**389,105**	613,772	**–**	–
Investment in subsidiaries	11	**–**	–	**39,817**	48,833
Investment in associates	12	**12,771**	–	**–**	–
Investment in joint ventures	13	**5,417**	60,346	**–**	–
Club memberships		**156**	296	**–**	–
Amounts due from related companies	14	**40,056**	62,143	**–**	–
Derivatives	15	**114**	12	**–**	–
		447,619	736,569	**39,817**	48,833
Current assets					
Inventories	16	**362**	873	**–**	–
Trade receivables	17	**18,607**	10,359	**–**	–
Other receivables	18	**7,015**	14,884	**32**	35
Amounts due from related companies	14	**60,676**	89,177	**170,180**	373,627
Derivatives	15	**39**	–	**–**	–
Investment securities	19	**77**	69	**–**	–
Assets held for sale	10	**346**	1,768	**–**	–
Cash and bank balances	20	**39,377**	50,628	**3,295**	4,126
		126,499	167,758	**173,507**	377,788
Total assets		**574,118**	904,327	**213,324**	426,621
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	21	**17,706**	13,330	**–**	–
Other liabilities	22	**57,531**	53,841	**3,261**	2,190
Amounts due to related companies	25	**7,407**	3,977	**190,520**	176,682
Bank loans	26	**451,921**	49,029	**–**	–
Notes payable	27	**73,344**	–	**73,344**	–
Provision for taxation		**1,496**	2,304	**20**	227
Finance lease obligations	28	**337**	206	**–**	–
Derivatives	15	**5,504**	–	**5,504**	–
		615,246	122,687	**272,649**	179,099
Net current (liabilities)/assets		**(488,747)**	45,071	**(99,142)**	198,689
Non-current liabilities					
Other liabilities	22	**11,717**	12,276	**–**	–
Provisions	23	**241**	220	**–**	–
Deferred capital grant	24	**1,418**	1,418	**–**	–
Bank loans	26	**–**	397,016	**–**	–
Notes payable	27	**–**	67,806	**–**	67,806
Deferred tax liabilities	29	**2,065**	1,319	**–**	–
Finance lease obligations	28	**363**	560	**–**	–
Derivatives	15	**3**	12,005	**–**	11,802
		15,807	492,620	**–**	79,608
Total liabilities		**631,053**	615,307	**272,649**	258,707
Net (liabilities)/assets		**(56,935)**	289,020	**(59,325)**	167,914
Equity attributable to equity holders of the Company					
Share capital	30(a)	**162,854**	162,854	**162,854**	162,854
Treasury shares	30(b)	**(2,530)**	(2,530)	**(2,530)**	(2,530)
(Accumulated losses)/retained earnings		**(189,819)**	142,663	**(219,915)**	7,978
Other reserves	31	**(12,626)**	(12,179)	**266**	(388)
		(42,121)	290,808	**(59,325)**	167,914
Non-controlling interests		**(14,814)**	(1,788)	**–**	–
Total equity		**(56,935)**	289,020	**(59,325)**	167,914

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

		Attributable to equity holders of the Company											
Group	**Note**	**Share capital US$'000**	**Treasury shares US$'000**	**(Accumulated losses)/ retained earnings US$'000**	**Total other reserves US$'000**	**Foreign currency translation reserve US$'000**	**Employee share-based payments reserve US$'000**	**Hedging reserve US$'000**	**Defined benefit plan US$'000**	**Premium paid on acquisition of non-controlling interests US$'000**	**Total US$'000**	**Non-controlling interests US$'000**	**Total equity US$'000**
Balance at 1 January 2016		162,854	(817)	266,416	(15,065)	(9,290)	172	(2,768)	–	(3,179)	413,388	2,623	416,011
Loss for the year		–	–	(118,628)	–	–	–	–	–	–	(118,628)	(3,049)	(121,677)
Other comprehensive income													
– Foreign exchange translation	31(a)	–	–	–	713	713	–	–	–	–	713	23	736
– Net fair value changes on cash flow hedges	31(c)	–	–	–	1,757	–	–	1,757	–	–	1,757	–	1,757
– Re-measurement of defined benefit plans	31(d)	–	–	–	30	–	–	–	30	–	30	12	42
– Share of other comprehensive income of a joint venture	31(c)	–	–	–	376	–	–	330	46	–	376	–	376
Total comprehensive income for the year		–	–	(118,628)	2,876	713	–	2,087	76	–	(115,752)	(3,014)	(118,766)
Contributions by and distributions to equity holders													
– Grant of equity-settled share performance awards to employees	32	–	–	–	10	–	10	–	–	–	10	–	10
– Acquisition of treasury shares	30(b)	–	(1,713)	–	–	–	–	–	–	–	(1,713)	–	(1,713)
– Dividends on ordinary shares	39	–	–	(5,295)	–	–	–	–	–	–	(5,295)	–	(5,295)
– Dividends paid to non-controlling shareholders by subsidiaries		–	–	–	–	–	–	–	–	–	–	(1,160)	(1,160)
Total contributions by and distributions to equity holders		–	(1,713)	(5,295)	10	–	10	–	–	–	(6,998)	(1,160)	(8,158)
Changes in ownership interests in subsidiaries													
– Acquisition of subsidiary	11(b)	–	–	–	–	–	–	–	–	–	–	1,937	1,937
– Acquisition of non-controlling interests without a change in control	11(b)	–	–	170	–	–	–	–	–	–	170	(170)	–
– Disposal of subsidiaries	11(c),(d)	–	–	–	–	–	–	–	–	–	–	(2,004)	(2,004)
Total changes in ownership interests in subsidiaries		–	–	170	–	–	–	–	–	–	170	(237)	(67)
Balance at 31 December 2016		162,854	(2,530)	142,663	(12,179)	(8,577)	182	(681)	76	(3,179)	290,808	(1,788)	289,020

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	Note	Share capital US$'000	Treasury shares US$'000	(Accumulated losses)/ retained earnings US$'000	Total other reserves US$'000	Foreign currency translation reserve US$'000	Employee share-based payments reserve US$'000	Hedging reserve US$'000	Defined benefit plan US$'000	Premium paid on acquisition of non-controlling interests US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to equity holders of the Company											
Balance at 1 January 2017		162,854	(2,530)	142,663	(12,179)	(8,577)	182	(681)	76	(3,179)	290,808	(1,788)	289,020
Loss for the year		–	–	(332,482)	–	–	–	–	–	–	(332,482)	(10,686)	(343,168)
Other comprehensive income													
– Foreign exchange translation	31(a)	–	–	–	(1,427)	(1,427)	–	–	–	–	(1,427)	(3)	(1,430)
– Net fair value changes on cash flow hedges	31(c)	–	–	–	612	–	–	612	–	–	612	–	612
– Re-measurement of defined benefit plans	31(d)	–	–	–	1	–	–	–	1	–	1	–	1
– Reclassification to profit or loss on dilution of interest in joint venture		–	–	–	(15)	–	–	(12)	(3)	–	(15)	–	(15)
– Share of other comprehensive income of a joint venture	31(c)	–	–	–	340	–	–	340	–	–	340	–	340
Total comprehensive income for the year		–	–	(332,482)	(489)	(1,427)	–	940	(2)	–	(332,971)	(10,689)	(343,660)
Contributions by and distributions to equity holders													
– Grant of equity-settled share performance awards to employees	32	–	–	–	42	–	42	–	–	–	42	–	42
Total contributions by and distributions to equity holders		–	–	–	42	–	42	–	–	–	42	–	42
Changes in ownership interests in subsidiaries													
– Return of capital to non-controlling interests of a subsidiary		–	–	–	–	–	–	–	–	–	–	(1,843)	(1,843)
– Liquidation of a subsidiary		–	–	–	–	–	–	–	–	–	–	(494)	(494)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	(2,337)	(2,337)
Balance at 31 December 2017		162,854	(2,530)	(189,819)	(12,626)	(10,004)	224	259	74	(3,179)	(42,121)	(14,814)	(56,935)

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

Company	Note	Share capital US$'000	Treasury Shares US$'000	Retained earnings US$'000	Total other reserves US$'000	Employee share-based payments reserve US$'000	Hedging reserve US$'000	Total equity US$'000
Balance at 1 January 2016		162,854	(817)	14,443	(2,155)	172	(2,327)	174,325
Loss for the year		–	–	(1,170)	–	–	–	(1,170)
Other comprehensive income								
– Net fair value changes on cash flow hedges	31(c)	–	–	–	1,757	–	1,757	1,757
Total comprehensive income for the year		–	–	(1,170)	1,757	–	1,757	587
Contributions by and distributions to equity holders								
– Grant of equity-settled performance share awards to employees		–	–	–	10	10	–	10
– Acquisition of treasury shares	30(b)	–	(1,713)	–	–	–	–	(1,713)
– Dividends on ordinary shares	39	–	–	(5,295)	–	–	–	(5,295)
Total contributions by and distributions to equity holders		–	(1,713)	(5,295)	10	10	–	(6,998)
Balance as at 31 December 2016		162,854	(2,530)	7,978	(388)	182	(570)	167,914

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Company	Note	Share capital US$'000	Treasury Shares US$'000	Retained earnings US$'000	Total other reserves US$'000	Employee share-based payments reserve US$'000	Hedging reserve US$'000	Total equity US$'000
Balance at 1 January 2017		162,854	(2,530)	7,978	(388)	182	(570)	167,914
Loss for the year		–	–	(227,893)	–	–	–	(227,893)
Other comprehensive income								
– Net fair value changes on cash flow hedges	31(c)	–	–	–	612	–	612	612
Total comprehensive income for the year		–	–	(227,893)	612	–	612	(227,281)
Contributions by and distributions to equity holders								
– Grant of equity-settled performance share awards to employees		–	–	–	42	42	–	42
Total contributions by and distributions to equity holders		–	–	–	42	42	–	42
Balance as at 31 December 2017		162,854	(2,530)	(219,915)	266	224	42	(59,325)

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities:			
Loss before taxation		**(340,524)**	(118,158)
Adjustments for:			
Depreciation of property, plant and equipment	10	**29,963**	31,452
Finance costs	6	**19,615**	16,559
Interest income	5	**(6,350)**	(7,638)
Share of results of joint ventures		**14,015**	4,756
Share of results of associates		**4,945**	–
Loss/(gain) on sale of property, plant and equipment, net		**1,871**	(679)
Loss on disposal of assets held for sale	7	**180**	–
Net loss on assets sold under hire purchase	7	**2,427**	–
Impairment of doubtful receivables, net	7	**7,527**	20,107
Impairment of amounts due from related companies	7	**65,908**	3,440
Impairment of property, plant and equipment	7	**178,070**	28,698
Impairment of investment in associate and joint venture	7	**20,643**	–
Write back of impairment of club memberships	7	**–**	(7)
Net gain on acquisition of a subsidiary	11(b)	**–**	(793)
Net loss on disposal of subsidiaries	11(d)	**–**	137
Net gain on deemed disposal of a subsidiary	11(c)	**–**	(3,892)
Net loss on deemed disposal of a subsidiary	11(c)	**–**	6,786
Loss on disposal of club membership	7	**125**	–
Net gain on liquidation of a subsidiary	5	**(437)**	(111)
Re-measurement gain of remaining interest in joint venture	11(c)	**–**	(2,063)
Net fair value gain on derivatives	5	**(340)**	(208)
Net fair value gain on held for trading investment securities	5	**(3)**	(13)
Net gain on disposal of held for trading investment securities	5	**–**	(25)
Gain on non-refundable of deposit	5	**(2,441)**	(800)
Loss on dilution of investment in joint venture	7	**2,392**	–
Share-based payment expense	32	**42**	10
Exchange differences		**(559)**	1,475
Operating cash flows before changes in working capital		**(2,931)**	(20,967)
(Increase)/decrease in trade and other receivables		**(2,218)**	5,476
Increase in amounts due from/to related companies		**(9,316)**	(11,175)
Decrease/(increase) in inventories		**511**	(943)
Increase in trade payables and other liabilities		**5,713**	536
Cash used in operations		**(8,241)**	(27,073)
Taxes paid		**(2,261)**	(2,885)
Interest paid		**(12,900)**	(15,427)
Interest received		**493**	449
Net cash flows used in operating activities		**(22,909)**	(44,936)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from investing activities:			
Proceeds from rescission of shipbuilding contracts		–	10,632
Purchase of property, plant and equipment	10	**(2,362)**	(126,262)
Proceeds from sale of property, plant and equipment		**13,228**	57,876
Proceeds from sale of assets held for sale		**1,588**	–
Investment in joint ventures		**(200)**	(1,446)
Investment in an associate		**(2,000)**	–
Proceeds from sale of investment securities		–	94
Net cash inflow on acquisition of a subsidiary	11(b)	–	736
Net cash inflow on deemed disposal of subsidiaries	11(c)	–	3,668
Net cash inflow on disposal of subsidiaries	11(d)	–	162
Net cash (outflow)/inflow on liquidation of subsidiary		**(57)**	111
Loan repayment from related companies, net		**1,370**	524
Net cash flows generated from/(used in) investing activities		**11,567**	(53,905)
Cash flows from financing activities:			
Return of capital to minority shareholders of subsidiary		**(585)**	–
Repayment of finance lease obligations		**(270)**	(156)
Proceeds from bank loans		**45,959**	245,479
Repayment of bank loans		**(45,207)**	(130,618)
Purchase of treasury shares	30(b)	–	(1,713)
Dividends paid to equity holders of the Company	39	–	(5,295)
Dividends paid to non-controlling shareholders by subsidiaries		–	(1,160)
Cash and bank balances released/(pledged) as securities	20	**1,479**	(4,164)
Net cash flows generated from financing activities		**1,376**	102,373
Net (decrease)/increase in cash and bank balances		**(9,966)**	3,532
Effect of exchange rate changes on cash and bank balances		**194**	(201)
Cash and bank balances at 1 January		**42,291**	38,960
Cash and bank balances at 31 December	20	**32,519**	42,291

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. CORPORATE INFORMATION

Pacific Radiance Ltd. is a limited liability company incorporated and domiciled in Singapore and is listed on the mainboard of SGX. The immediate and ultimate holding company is YM Investco Pte Ltd, incorporated in Singapore.

The registered office and principal place of business of the Company is located at 15 Pandan Road, Singapore 609263.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with FRS.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

As at 31 December 2017, the Company's current and total liabilities exceeded its current and total assets by US$99,142,000 and US$59,325,000 respectively. For the financial year ended 31 December 2017, the Group incurred a net loss of US$343,168,000 (2016: US$121,677,000), which included impairment charges of US$272,148,000 (2016: US$52,245,000), and a negative operating cash flow of US$22,909,000 (2016: US$44,936,000). As at 31 December 2017, the Group's current and total liabilities exceeded its current and total assets by US$488,747,000 and US$56,935,000 respectively.

As disclosed in Note 26, the Group has commenced discussion with its bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure during the year. It has reached an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group. Subsequent to year end, the Group has obtained in-principle support from its major lenders and anchor investors on the broad terms of the restructuring. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under Section 210(1) of the Companies Act. The intended restructuring proposal entails debt forgiveness, debt-to-equity conversion and equity injection which will be used to pare down debt and for future working capital requirements of the Group. Refer to Note 41 for more information on the restructuring.

As disclosed in Note 10, the Group has assets with a carrying value of US$356,140,000 as at 31 December 2017 that have been mortgaged to the banks to secure the Group's bank loans. The banks are entitled to enforce their rights against the mortgaged assets as the terms of the bank loans have been breached. As of the date of the financial statements, the banks have not sought to take any actions against the mortgaged assets.

As disclosed in Note 41, in connection with the restructuring, the High Court of the Republic of Singapore (the "Court") has granted Pacific Crest Pte. Ltd. and CSI Offshore Pte. Ltd (collectively the "Entities"), both wholly-owned subsidiaries of the Company, moratorium under section 211(B)(1) of the Companies Act for a period of six months from 11 June 2018 or until further order. The orders made include no step to enforce any security over any property of the Entities. The moratorium provide stability for the daily operations of the Group to continue with support of its customers and key trade suppliers and allow the Group an opportunity and adequate time to pursue the restructuring.

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

2.1 Basis of preparation (Cont'd)

Upon the completion of the restructuring and the injection of new funds, the balance sheet of the Group and Company will be deleveraged substantially and the new funds will provide working capital support to enable the Group to continue as a going concern. The directors of the Company believe that the Group and the Company will be able to successfully complete the restructuring and accordingly, 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 are presented on a realisation basis, the carrying value of its assets and liabilities may be materially different. If the Group and Company is 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. No such adjustments have been made to these financial statements.

Convergence with International Financial Reporting Standards

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on SGX will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

The Group has performed an assessment of the impact of adopting the new financial reporting framework.

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of US$8,577,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

The Group expects to recognise additional deferred taxes following the withdrawal of Recommended Accounting Practice (RAP) 8: Foreign income not remitted to Singapore. On transition to the new financial reporting framework, the Group will record an amount of US$417,000 of deferred tax liability to the opening retained earnings as at 1 January 2017.

Other than the effects of the matters as described above and the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any material effect on the financial statements.

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

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Improvements to FRS (December 2016)	
(a) FRS 101 *First-time Adoption of Financial Reporting Standards*	1 January 2018
(b) FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 109: *Financial Instruments*	1 January 2018
FRS 115: *Revenue From Contracts With Customers*	1 January 2018
– Amendments to FRS 12 Income Tax	1 January 2019
– Amendments to FRS 23 Borrowing Cost	1 January 2019
– Amendments to FRS 103 Business Combinations	1 January 2019
– Amendments to FRS 111 Joint Arrangement	1 January 2019
INT FRS 122: *Foreign Currency Transactions and Advance Consideration*	1 January 2019
FRS 116: Leases	1 January 2019
Amendments to FRS 28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to FRS 109: *Prepayment Features with Negative Compensation*	1 January 2019
INT FRS 123: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the practical expedient where for completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.3 Standards issued but not yet effective (Cont'd)

FRS 115 *Revenue from Contracts with Customers* (Cont'd)

The Group derives its revenue mainly from chartering of offshore support vessels. The performance obligations under the contracts are satisfied and charter revenue is recognised over the duration of the charter period. Transaction price is based on the contracted charter rate on a per day basis. The Group does not expect any significant financial impact upon adoption of FRS 115. FRS 115 requires the disclosure of disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group will review its system and processes to ensure timely and accurate data collection for disclosure purposes.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect material financial impact upon adoption of FRS 109. Upon application of the expected credit loss model, the Group expects that due to unsecured nature of its loans and receivables, the loss allowance would increase.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group had entered into agreements for chartering of a vessel. The charter agreements are long term leases and will be recognised on the balance sheet. The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets, total liabilities and earnings before interest, tax, depreciation and amortisation.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

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

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
– de-recognises the carrying amount of any non-controlling interest;
– de-recognises the cumulative translation differences recorded in equity;
– recognises the fair value of the consideration received;
– recognises the fair value of any investment retained;
– recognises any surplus or deficit in profit or loss;
– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.4 Basis of consolidation and business combinations (Cont'd)

(b) *Business combinations and goodwill (cont'd)*

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

The total impairment loss of a cash-generating unit is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

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

2.6 Foreign currency

The financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property and buildings includes provision for reinstatement costs as stated in Note 2.18.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

– Vessels: 20 or 25 years
– Drydocking expenditure: 5 years
– Plant and equipment: 3 to 5 years
– Property and buildings: 20 years & over the remaining life of the lease of 22 years

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

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

2.7 Property, plant and equipment (cont'd)

The Group periodically drydocks each owned vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Generally, each vessel is drydocked every 5 years. A substantial portion of the costs incurred during drydock is capitalised and these costs are amortised on a straight-line basis from the completion of a drydocking to the estimated completion of the next drydocking. Costs for routine repairs and maintenance performed during drydocking that do not improve or extend the useful lives of the vessels are immediately expensed off. The number of drydockings undertaken in a given period and the nature of the work performed determine the level of drydocking expenditures.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Club memberships

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

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

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. The Group has not classified any joint arrangement as joint operation during the financial year. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint ventures is set out in Note 2.12.

2.12 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.12 Joint ventures and associates (Cont'd)

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investments in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investments. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.13 Financial instruments

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

2.13 Financial instruments (Cont'd)

(a) ***Financial assets*** **(Cont'd)**

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income. Alternatively, interest and dividend income may be recognised separately.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

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

2.13 Financial instruments (Cont'd)

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as cross currency swaps and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the financial year.

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

2.14 Derivative financial instruments and hedging activities (Cont'd)

The fair value of interest rate swaps and cross currency swaps are determined by reference to market values for similar instruments.

Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting. The Group designates certain derivatives as cash flow hedges when there is hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss in other operating income or other operating expenses.

The Group uses cross currency swaps as hedges of its exposure to foreign currency and interest rate risks in the notes payable. Refer to Note 15 for more details.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the firm commitment occurs.

2.15 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.15 Impairment of financial assets (Cont'd)

Financial assets carried at amortised cost **(Cont'd)**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.16 Cash and bank balances

Cash and bank balances comprise cash at banks and on hand, short-term bank deposits and cash in holding accounts that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash pledged is excluded from cash and cash equivalents.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes costs of purchases and other costs incurred in bringing the inventories to their present location and condition.

Work-in-progress is recorded at the lower of cost and net realisable value.

Costs include all direct materials, labour costs and those indirect costs incurred in connection with projects on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

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

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for reinstatement costs

The Group recognised a provision for reinstatement cost when there is obligation to restore the property, plant and equipment to its original condition upon termination of the contract leases. The reinstatement cost is estimated when modification are performed on the properties, based on quotations from contractors and management's experience. The provision for reinstatement cost is reviewed annually and adjusted as appropriate. The estimated reinstatement cost is included as part of cost of property, plant and equipment as stated in Note 2.7.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.20 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.22 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Defined benefit plans*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

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

2.22 Employee benefits (Cont'd)

(c) *Performance share plan*

Employees of the Group receive remuneration in the form of share awards as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the awards at the date on which the awards are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share-based payment reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share-based payment reserve is transferred to retained earnings upon expiry of the share plan.

(d) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.23 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Assets leased out under operating leases are included in property, plant and equipment and are stated at cost less accumulated depreciation and impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.24 Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment once classified as held for sale are not depreciated.

2.25 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from chartering activities is recognised in profit or loss based on the duration of the contracts. Charter revenue under time charters is recognised on a straight line basis based on the number of days of the charter period, and the corresponding costs are charged to profit or loss using the same basis.

Management fees and ship management fee income are recognised when the services are rendered.

Revenue from sale of equipment is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sale of equipment, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading of the goods on to the relevant carrier.

An unexpected loss on the equipment contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Interest income is recognised using the effective interest method.

Dividend income is recognised when the Group's right to receive the payment is established.

2.26 Income taxes and other taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

2.26 Income taxes and other taxes (Cont'd)

(b) *Deferred tax* (Cont'd)

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

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

2.27 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.29 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Joint arrangements

The Group has interests in joint arrangements as listed in Note 13. The Group has joint control over these arrangements as under the contractual agreements, joint consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangements are structured as limited companies and provide the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, these arrangements are classified as joint ventures.

(c) Income taxes

The Group has exposure to income taxes in the respective jurisdictions in which it operates. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities at 31 December 2017 were US$1,496,000 (2016: US$2,304,000) and US$2,065,000 (2016: US$1,319,000) respectively.

(d) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of vessels

Vessels are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of vessels to be 20 or 25 years. The carrying amount of the Group's vessels at 31 December 2017 was US$313,052,000 (2016: US$527,874,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised.

A 5% increase/(decrease) in the expected useful lives of these assets from management estimates would result in a decrease/(increase) of approximately US$1,103,000 (2016: US$1,398,000) and US$1,370,000 (2016: US$1,509,000) respectively in the Group's loss before tax.

Impairment of vessels

The Group assesses the impairment of vessels 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 vessels, the fair value less costs to dispose is determined mainly based on valuation reports issued by independent professional valuers. The impairment charge for the financial year was US$178,070,000 (2016: US$28,698,000). If the fair value less costs to dispose decreases by 10% from the fair value based on valuation reports, the impairment charges will increase by US$30,626,000 (2016: US$25,793,000).

4. REVENUE

	Group	
	2017 US$'000	**2016 US$'000**
Charter hire income	**61,257**	68,196
Ship repair income	**5,979**	452
Ship management fee income	**320**	398
Sale of equipment	**–**	375
Others	**119**	–
	67,675	69,421

5. OTHER OPERATING INCOME

	Group	
	2017 US$'000	**2016 US$'000**
Gain on sale of property, plant and equipment, net	**–**	679
Amortisation of unbilled revenue for hire purchase	**591**	–
Interest income from banks	**71**	137
Interest income from loans to joint ventures and associate	**5,618**	7,004
Interest income from third parties	**661**	497
Net fair value gain on derivatives	**340**	208
Net gain on acquisition of a subsidiary (Note 11(b))	**–**	793
Net gain on deemed disposal of a subsidiary (Note 11(c))	**–**	3,892
Re-measurement gain of remaining interest in a joint venture (Note 11(c))	**–**	2,063
Net gain on liquidation of a subsidiary	**437**	111
Gain on receipt of non-refundable deposit	**2,441**	800
Share of earnings on vessel sale to related company	**2,129**	–
Management fee income	**289**	224
Net fair value gain on held for trading investment	**3**	13
Net gain on disposal of held for trading investment	**–**	25
Foreign exchange gain, net	**256**	–
Sundry income	**256**	448
	13,092	16,894

Included in interest income from third parties is interest of US$570,000 (2016: US$440,000) from an impaired loan to a third party. Refer to Note 18 for allowance for impairment for loan to third party.

6. FINANCE COSTS

	Group	
	2017 US$'000	**2016 US$'000**
Interest expense on bank loans, derivatives and finance lease obligations	**15,661**	13,290
Interest expense on notes payable	**3,530**	3,550
Interest expense on borrowings from a shareholder of a subsidiary	**422**	363
	19,613	17,203
Discount rate adjustment for provisions (Note 23)	**2**	33
Less: Interest capitalised in property, plant and equipment (Note 10)	**–**	(677)
	19,615	16,559

7. LOSS BEFORE TAXATION

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

	Group	
	2017 US$'000	**2016 US$'000**
Audit fees:		
– Auditors of the Company	**151**	168
– Other auditors	**3**	6
Non audit fees:		
– Auditors of the Company	**92**	102
– Other auditors	**75**	60
Legal and professional fees	**1,269**	721
Inventories recognised as an expense in cost of sales (Note 16)	**5,288**	6,167
Employee benefits expense (Note 32)	**9,468**	11,646
Depreciation of property, plant and equipment (Note 10)	**29,963**	31,452
Impairment of doubtful trade receivables, net (Note 17)	**974**	10,408
Impairment of doubtful non-trade receivables, net (Note 18)	**6,553**	9,699
Impairment of amount due from related companies, net (Note 14)	**65,908**	3,440
Impairment of investment in a joint venture	**5,865**	–
Impairment of investment in an associate	**14,778**	–
Foreign exchange (gain)/losses, net	**(256)**	1,743
Operating lease expenses (Note 34(b))	**5,282**	5,500
Loss on disposal of subsidiaries (Note 11(d))	**–**	137
Loss on deemed disposal of a subsidiary (Note 11(c))	**–**	6,786
Loss on dilution of a joint venture	**2,392**	–
Loss on sale of property, plant and equipment, net	**1,871**	–
Loss on disposal of assets held for sale	**180**	–
Loss on disposal of club membership	**125**	–
Net loss on assets sold under hire purchase	**2,427**	–
Impairment of property, plant and equipment (Note 10)	**178,070**	28,698
Write back of impairment of club memberships	**–**	(7)
Realisation of deferred gain on sale of vessels to joint ventures (included in share of results of joint ventures)	**(641)**	(795)
Realisation of deferred gain on sale of vessels to associate (included in share of results of associates)	**(83)**	–

8. TAXATION

The major components of income tax expense for the years ended 31 December 2017 and 2016 were:

	Group	
	2017 US$'000	**2016 US$'000**
Consolidated income statements:		
Current income tax		
– Current year's income taxation	**217**	336
– (Over)/under provision in respect of prior years, net	**(404)**	289
	(187)	625
Deferred income tax (Note 29)		
– Origination of temporary differences	**746**	1,196
Withholding tax	**2,085**	1,698
Tax expense recognised in consolidated income statement	**2,644**	3,519

The reconciliation between the tax expense and the product of accounting loss before taxation multiplied by the applicable tax rate for the financial years ended 31 December 2017 and 2016 was as follows:

	Group	
	2017 US$'000	**2016 US$'000**
Loss before taxation	**(340,524)**	(118,158)
Less: Share of results of joint ventures	**14,015**	4,756
Less: Share of results of associates	**4,945**	–
Loss before tax and share of profit of associates and joint ventures	**(321,564)**	(113,402)
Tax credit at Singapore statutory rate of 17% (2016: 17%)	**(54,666)**	(19,278)
Adjustments:		
Income not assessable for tax purposes	**(1,316)**	(185)
Expenses not deductible for tax purposes	**18,851**	5,388
(Over)/under provision in respect of prior years, net	**(404)**	289
Effect of partial tax exemption and tax relief	**(75)**	(129)
Deferred tax assets not recognised	**845**	780
Benefits from previously unrecognised tax losses	**–**	(28)
Net tax exempt loss under Section 13A or 13F of the Singapore Income Tax Act and rebate available	**37,324**	14,895
Others	**–**	89
Withholding tax	**2,085**	1,698
Tax expense recognised in consolidated income statement	**2,644**	3,519

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For the financial year ended 31 December 2017

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net of tax profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2017 US$'000	**2016 US$'000**
Loss for the year attributable to equity holders of the Company	**(332,482)**	(118,628)
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for calculation:		
– Applicable to basic earnings per share	**713,512**	715,041
– On a fully diluted basis	**713,512**	715,041

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

2,029,000 (2016: 1,985,000) share awards granted to employees under the Performance Share Plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

Since the end of the financial year, the Company has not acquired (2016: Nil) ordinary shares in the Company through purchases on SGX. There have been no other transactions involving ordinary shares since the reporting date and before the completion of these financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

	Vessels US$'000	Drydocking expenditure US$'000	Vessels under construction US$'000	Plant and equipment US$'000	Shipyard under construction US$'000	Property and buildings US$'000	Total US$'000
Group							
Cost:							
At 1 January 2016	537,659	10,199	89,660	5,250	32,750	16,976	692,494
Arising from acquisition of a subsidiary (Note 11(b))	31,954	–	–	–	–	–	31,954
Arising from disposal of subsidiaries (Note 11(c))	(67,095)	–	–	(362)	–	–	(67,457)
Additions	37,081	2,409	71,530	908	12,797	1,282	126,007
Disposals	(20,198)	(571)	(5,528)	(61)	–	–	(26,358)
Transfer	133,845	–	(133,845)	5,080	(47,289)	42,209	–
Reclass to assets held for sale	(3,659)	(87)	–	–	–	–	(3,746)
Translation differences	477	–	–	(423)	1,939	(3,257)	(1,264)
At 31 December 2016 and 1 January 2017	650,064	11,950	21,817	10,392	197	57,210	751,630
Additions	1,567	185	13,247	154	286	9	15,448
Adjustment[1]	–	–	–	–	–	(759)	(759)
Disposals	(40,644)	(4,654)	(15,224)	(292)	–	–	(60,814)
Transfer	–	–	–	–	(494)	494	–
Reclass to assets held for sale	(1,453)	–	–	–	–	–	(1,453)
Translation differences	48	–	–	667	11	4,675	5,401
At 31 December 2017	609,582	7,481	19,840	10,921	–	61,629	709,453
Accumulated depreciation and impairment loss:							
At 1 January 2016	77,464	3,828	–	3,597	–	1,356	86,245
Arising from acquisition of a subsidiary (Note 11(b))	1,954	–	–	–	–	–	1,954
Arising from disposal of subsidiaries (Note 11(c),(d))	(3,587)	–	–	(271)	–	–	(3,858)
Depreciation charge for the financial year	25,431	3,152	–	1,301	–	1,568	31,452
Impairment loss	27,020	–	1,678	–	–	–	28,698
Disposals	(4,260)	(289)	–	(47)	–	–	(4,596)
Reclass to assets held for sale	(1,938)	(40)	–	–	–	–	(1,978)
Translation differences	106	–	–	(52)	–	(113)	(59)
At 31 December 2016 and 1 January 2017	122,190	6,651	1,678	4,528	–	2,811	137,858
Depreciation charge for the financial year	24,383	2,111	–	778	–	2,691	29,963
Impairment loss	172,251	–	5,819	–	–	–	178,070
Disposals	(21,204)	(3,610)	–	(147)	–	–	(24,961)
Reclass to assets held for sale	(1,107)	–	–	–	–	–	(1,107)
Translation differences	17	–	–	166	–	342	525
At 31 December 2017	296,530	5,152	7,497	5,325	–	5,844	320,348
Net carrying amounts:							
At 31 December 2017	313,052	2,329	12,343	5,596	–	55,785	389,105
At 31 December 2016	527,874	5,299	20,139	5,864	197	54,399	613,772

[1] During the financial year, adjustment for prior year additions of $759,000 was made due to lower actual cost incurred.

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

Assets pledged as security

At the balance sheet date, vessels and vessels under construction with a carrying amount totalling US$295,763,000 (2016: US$486,194,000) were mortgaged to bankers as collateral to secure the Group's bank loans (Note 26).

At the balance sheet date, buildings, shipyard and plant and equipment with a carrying amount of US$60,377,000 (2016: US$59,157,000) were mortgaged to bankers as collateral to secure the Group's bank loans (Note 26).

During the financial year, the Group has breached certain terms of the bank loans and the banks are entitled to enforce their rights against the mortgaged assets. As at the date of the financial statement, the banks have not sought to take any actions against any of these assets due to ongoing discussions on the restructuring. Refer to Note 41 for more information on the restructuring.

Assets held under finance leases

During the year, the Group acquire plant and equipment with an aggregate cost of US$136,000 (2016 aggregate cost: US$415,000) by means of finance leases.

	2017 US$'000	**2016 US$'000**
Aggregate cost of property, plant and equipment acquired	**15,448**	126,007
Add: Reversal of deferred gain on sale of vessels	**–**	670
Less: Addition via finance lease	**(136)**	(415)
Less: Other liabilities (Note 22)	**(12,950)**	–
Cash payments made to acquire property, plant and equipment	**2,362**	126,262

At the balance sheet date, the carrying amount of plant and equipment held under finance leases was US$891,000 (2016: US$1,054,000).

Leased assets are pledged as security for the related finance lease liabilities.

Capitalisation of borrowing costs

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

During the financial year, no borrowing costs was capitalised as cost of vessels and shipyard under construction (2016: US$677,000). In 2016, the rates used to determine the amount of borrowing costs eligible for capitalisation range from 1.88% to 3.45% per annum in 2016, which was the effective interest rates of the specific borrowings.

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

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of its vessels based on valuation reports issued by independent professional valuers. An impairment loss of US$178,070,000 (2016: US$28,698,000), representing the write-down of the vessels to the recoverable amount was included in "Other operating expenses" line in the Group's profit or loss for the year ended 31 December 2017. The recoverable amount of the vessels was based on its fair value less costs to dispose.

Assets held for sale

Assets held for sale at the Group relates to transfer of 1 vessel (2016: 2 vessels) which will be disposed of in 2018.

	Vessels US$'000	Drydocking expenditure US$'000	Total US$'000
Beginning of the year	1,721	47	1,768
Disposals	(1,721)	(47)	(1,768)
Transfer from property, plant and equipment	346	–	346
End of the year	346	–	346

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 US$'000	**2016 US$'000**
Unquoted equity shares, at cost	**51,447**	51,447
Performance share awards granted to employees of subsidiaries	**45**	9
Impairment losses	**(11,675)**	(2,623)
	39,817	48,833

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For the financial year ended 31 December 2017

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group

The Group has the following investment in subsidiaries.

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group 2017 %	2016 %
Held by the Company				
Pacific Crest Pte Ltd[(1)]	Singapore	Ship chartering and ship owning	**100**	100
Strato Maritime Services Pte Ltd[(1)]	Singapore	Ship chartering and ship agency	**100**	100
Alstonia Offshore Pte Ltd[(1)]	Singapore	Ship agent and related business	**100**	100
Crest Subsea International Pte Ltd[(1)]	Singapore	Integrated subsea solutions	**100**	100
Crest Offshore Marine Pte Ltd[(1)]	Singapore	Investment holding	**100**	100
Crest Shipyard Pte Ltd[(1)]	Singapore	Investment holding	**100**	100
Held through Pacific Crest Pte Ltd				
Prime Offshore International Pte Ltd[(6)]	Singapore	Dormant	**–**	60
Held through Alstonia Offshore Pte Ltd				
Radiance Offshore B.V[(4)]	Netherland	Ship chartering	**100**	100
Radiance Offshore Navegacao (Alagoas) Ltda[(2)]	Brazil	Ship chartering, ship owning and ship management	**100**	100
Radiance Catico Offshore Pte Ltd[(5)]	Singapore	Dormant	**63**	63
Pacific Offshore Pte Ltd[(1)]	Singapore	Ship owning, ship chartering and ship management	**100**	100
Envestra Investments Limited[(4)]	British Virgin Islands	Investment holding	**100**	100
Pacific Radiance (East Africa) Lda[(4)]	Africa	Marketing office	**100**	100
Pacific Crest (Brunei) Sdn Bhd[(2)]	Brunei	Marketing office	**90**	90
Radiance Offshore Holdings Pte Ltd[(1)]	Singapore	Investment holding	**100**	100
Continental Radiance Offshore Pvt Ltd[(3)]	India	Ship chartering and ship owning	**100**	100

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group 2017 %	2016 %
Held through Crest Offshore Marine Pte Ltd				
Firstmac Investments Limited[4]	British Virgin Islands	Investment holding	**100**	100
Radiance ZJ Pte Ltd[1]	Singapore	Ship chartering and ship owning	**63**	63
Pacific Offshore Marine Pte Ltd[1]	Singapore	Ship chartering and ship owning	**100**	100
Consolidated Pipe Carriers Pte Ltd[1]	Singapore	Integrated logistics solutions services provider	**100**	100
Crest Siam Pte Ltd (formerly known as Crest Logistics Pte Ltd)[1]	Singapore	Investment holding	**100**	100
Held through Firstmac Investments Limited				
Hudson Marine Pte Ltd[1]	Singapore	Investment holding	**100**	100
Held through Pacific Offshore Marine Pte Ltd				
CPC PNG Limited[5]	Papua New Guinea	Cargo handling and other supporting transport activities	**100**	100
Held through Crest Shipyard Pte Ltd				
CrestSA Marine & Offshore Pte Ltd[1]	Singapore	Repair of offshore vessels and other ocean-going vessels	**100**	100
Held through Crest Subsea International Pte Ltd				
CSI Offshore Pte Ltd[1]	Singapore	Ship chartering, ship owning and ship management services	**100**	100
Offshore Subsea Services (Asia Pacific) Pte Ltd[1]	Singapore	Offshore subsea intervention for oil and gas industry	**80**	80
PT Cahaya Offshore Indonesia[3][7]	Indonesia	Dormant	**49**	49
Held through Offshore Subsea Services (Asia Pacific) Pte Ltd				
PT Subsea Offshore[3]	Indonesia	Offshore subsea intervention for oil and gas industry	**95**	95
Held through PT Subsea Offshore				
PT Marine Engineering Services[3]	Indonesia	Offshore subsea intervention for oil and gas industry	**95**	95

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For the financial year ended 31 December 2017

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of EY Global in the respective countries.

(3) Not significant to Group and not required to be disclosed under SGX Listing Rule 717.

(4) Not required to be audited under the laws of the country of incorporation.

(5) In the process of members' voluntary liquidation.

(6) Dissolved in 2017.

(7) On 14 July 2015 (incorporation date), the Group's subsidiary company, Crest Subsea International Pte Ltd ("CSI") incorporated a company, PT Cahaya Offshore Indonesia ("PT Cahaya"), in Indonesia, and subscribed for 4,900 Series A shares, representing the entire voting shares and 49% of the total issued shares of PT Cahaya. Since the Group has control over PT Cahaya through its entire voting shares, PT Cahaya is accounted for as a subsidiary of the Group.

According to Law No. 40 Year 2007 on Limited Liability Companies in Indonesia, Indonesian companies are required to allocate a certain amount from its net profit in each financial year as a reserve fund. The reserve fund should be provided until it reaches at least 20% of the issued and paid-up capital of the company. Dividend distribution by the company is based on its net profit after deducting the allocation for the reserve fund.

As the Group's Indonesian subsidiaries were not in retained profit positions as at 31 December 2017 and 31 December 2016, no reserve fund was allocated.

Other than the above, there are no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries.

Transactions with non-controlling interests have been disclosed in Note 33(a).

(b) Acquisition of subsidiary

Acquisition of subsidiary – Aztec Offshore Holdings Pte Ltd ("Aztec")

In 2015, the Group's subsidiary company, Radiance Offshore Holdings Pte Ltd ("Radiance Offshore") acquired an additional 27% equity interest in its 51% owned joint venture company, Aztec Offshore Holdings Pte Ltd ("Aztec"), through a series of capital injections. The other shareholder's equity interest in Aztec was diluted to 22%.

In 2016, Radiance Offshore acquired control over its joint venture, Aztec, pursuant to the contractual agreement between the shareholders of Aztec. As a result, Aztec was accounted for as a subsidiary of the Group from 1 February 2016.

The Group elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Aztec's net identifiable assets.

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Acquisition of subsidiary (Cont'd)

Acquisition of subsidiary – Aztec Offshore Holdings Pte Ltd ("Aztec") (Cont'd)

The fair value of the identifiable assets and liabilities of Aztec as at the acquisition date was:

	Fair value recognised on acquisition 2016 US$'000
Property, plant and equipment (Note 10)	30,000
Amount due from related companies	9,041
Other receivables	422
Cash and bank balances	736
	40,199
Trade payable	(35)
Other liabilities	(455)
Amount due to related companies	(14,162)
Bank loans	(16,860)
	(31,512)
Total identifiable net assets at fair value	8,687
Non-controlling interest measured at the non-controlling interest's proportionate share of Aztec's net identifiable assets	(1,937)
Net impact arising from acquisition being net gain on acquisition recognised in other operating income (Note 5)	(793)
	5,957

Consideration transferred for the acquisition of Aztec:

	2016 US$'000
Cash paid	–
Fair value of equity interest in Aztec held by the Group immediately before the acquisition	5,957
	5,957

The effect of acquisition on cash flows was:

	2016 US$'000
Cash inflow on acquisition:	
Consideration settled in cash	–
Cash and bank balances of subsidiary acquired	736
Net cash inflow on acquisition	736

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Acquisition of subsidiary (Cont'd)

Acquisition of subsidiary – Aztec Offshore Holdings Pte Ltd ("Aztec") (Cont'd)

Property, plant and equipment, other receivables and amount due from related companies acquired

The fair values of the acquired property, plant and equipment were determined based on valuation reports issued by independent professional valuers.

Both the fair values and gross amounts of the acquired other receivables and amount due from related companies were US$9,463,000. At the acquisition date, it is expected that the full amount of other receivables and amount due from related companies can be collected.

Impact of the acquisition on profit or loss

From the acquisition date, Aztec contributed US$6,030,000 to the Group's revenue and a profit of US$1,992,000 to the Group's loss for the financial year ended 31 December 2016. If the business combination had taken place at the beginning of the year, the Group's revenue would have been US$69,979,000 and the Group's loss would have been US$121,389,000.

Acquisition of ownership interest in subsidiary, without a loss of control

On 25 April 2016, through subscription of additional shares in the capital of Aztec for a cash consideration of US$799,000, Radiance Offshore acquired an additional 3.4% equity interest in Aztec. As a result, Radiance Offshore owns 81% shareholding in Aztec.

The carrying value of net assets of Aztec as at 25 April 2016 was US$9,884,000 inclusive of the additional capital contribution from Radiance Offshore. The carrying value of the non-controlling interests was adjusted to reflect the change in its relative interest in Aztec and the change was recognised as other movements in "Retained earnings" within equity.

The following summarises the effect of the change in the Group's ownership interest in Aztec on the equity attributable to equity holders of the Company:

	2016 US$'000
Consideration paid for acquisition of non-controlling interests	–
Decrease in equity attributable to non-controlling interests	(170)
Increase in equity attributable to equity holders of the Company	170

(c) Loss of control in subsidiaries

Deemed disposal of subsidiary – Aztec Offshore Holdings Pte Ltd ("Aztec")

On 30 December 2016, Radiance Offshore disposed of its 62% of equity interests in Aztec to the Group's joint venture company, Navigatis Radiance Pte Ltd ("Navigatis Radiance"), for a consideration of US$4,666,000. Radiance Offshore retained 19% interest in Aztec subsequent to the divestment and entered into a new shareholders' agreement with the shareholders of Aztec whereby Radiance Offshore has joint control over Aztec, making it a joint venture of the Group.

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Loss of control in subsidiaries (Cont'd)

Deemed disposal of subsidiary – Aztec Offshore Holdings Pte Ltd ("Aztec") (Cont'd)

The value of assets and liabilities of Aztec recorded in the consolidated financial statements as at 30 December 2016, and the effects of the disposal were:

	2016 US$'000
Property, plant and equipment (Note 10)	28,835
Amounts due from related companies	10,105
Other receivables	124
Cash and bank balances	1,396
	40,460
Trade payables and other liabilities	(1,154)
Amounts due to related companies	(15,174)
Loans and borrowings	(13,880)
Carrying value of net assets	10,252
Cash consideration	4,666
Cash and bank balances of the subsidiary	(1,396)
Net cash inflow on deemed disposal of subsidiary	3,270
Loss on deemed disposal:	
Cash consideration	4,666
Net assets derecognised	(10,252)
Non-controlling interests derecognised	1,933
Other adjustment(1)	(3,133)
Loss on deemed disposal included in other operating expenses (Note 7)	(6,786)

(1) Other adjustment relate to loss on assignment of Group's loan given to Aztec, to Navigatis Radiance.

Gain on re-measurement of remaining interest in Aztec

The Group recognised a gain of US$2,063,000 as a result of measuring at fair value its 19% retained equity interest in Aztec.

The gain was included in the "Other Operating Income" line item in the Group's profit or loss for the year ended 31 December 2016.

Deemed disposal of subsidiary – Radiance Alliance Pte Ltd ("Radiance Alliance")

On 30 December 2016, Radiance Offshore transferred 100% of its equity interests in Radiance Alliance to the Group's joint venture company, Navigatis Radiance, for a consideration of US$500,000. As a result, Radiance Alliance became an indirect joint venture of the Group.

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11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Loss of control in subsidiaries (Cont'd)

Deemed disposal of subsidiary – Radiance Alliance Pte Ltd ("Radiance Alliance") (Cont'd)

The value of assets and liabilities of Radiance Alliance recorded in the consolidated financial statements as at 30 December 2016 and the effects of the disposal were:

	2016 US$'000
Property, plant and equipment (Note 10)	34,673
Amounts due from related companies	3,142
Cash and bank balances	102
	37,917
Trade payables and other liabilities	(2,414)
Amounts due to related companies	(38,895)
Carrying value of net liabilities	(3,392)
Cash consideration	500
Cash and bank balances of the subsidiary	(102)
Net cash inflow on deemed disposal of subsidiary	398
Gain on deemed disposal:	
Cash consideration	500
Net liabilities derecognised	3,392
Gain on deemed disposal included in other operating income (Note 5)	3,892

(d) Disposal of subsidiaries

On 10 June 2016, the Group disposed of its entire interest in 80% of subsidiary, Titan Offshore Equipment Pte Ltd ("Titan") for a consideration of US$586,000. Following the disposal, Fleetwinch Control Pte Ltd ("Fleetwinch"), in which Titan holds a 60% equity interest, also ceased to be a subsidiary of the Group.

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Disposal of subsidiaries (Cont'd)

The value of assets and liabilities of Titan and Fleetwinch recorded in the consolidated financial statements as at 10 June 2016 and the effects of the disposal were:

	2016 US$'000
Property, plant and equipment (Note 10)	91
Inventories	1,012
Trade receivables	314
Other receivables	15
Cash and bank balances	424
	1,856
Trade payables and other liabilities	(981)
Finance lease obligations	(41)
Provision for taxation	(40)
Carrying value of net assets	794
Cash consideration	586
Cash and bank balances of the subsidiaries	(424)
Net cash inflow on disposal of subsidiaries	162
Loss on disposal:	
Cash consideration	586
Net assets derecognised	(794)
Non-controlling interests derecognised	71
Loss on disposal included in other operating expenses (Note 7)	(137)

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

As at 31 December 2017, the Group has no subsidiaries (2016: Nil) that have non-controlling interest that are material to the Group.

12. INVESTMENT IN ASSOCIATES

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

	Group	
	2017 US$'000	**2016 US$'000**
PT Jawa Tirtamarin	**–**	–
PT Logindo Samudramakmur Tbk	**27,549**	–
	27,549	–
Less: Allowance for impairment	**(14,778)**	–
	12,771	–
Fair value of investment in PT Logindo Samudramakmur Tbk for which there is a published price quotation	**7,676**	7,142

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. INVESTMENT IN ASSOCIATES (CONT'D)

The associates of the Group as at 31 December are as follows:

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group 2017 %	2016 %
Held through subsidiaries				
PT Jawa Tirtamarin ("PT Jawa")[1]	Indonesia	Ship owning, ship chartering and ship brokering	**49**	49
PT Logindo Samudramakmur Tbk ("PT Logindo")[2][3]	Indonesia	Ship owning and ship chartering	**32.4**	–

(1) Audited by KAP Johan Malonda Mustika & Rekan, registered public accountant, Indonesia. SGX Listing Rule 716 is complied with.

(2) Audited by a member firm of EY Global.

(3) In 2017, the Group increased its investment in PT Logindo via a subscription of rights shares pursuant to the issuance of PT Logindo rights issue. Based on the result of the allotment and issuance, the Group has effective equity interests of 32.4% in PT Logindo. Following the rights issue, PT Logindo became an associate of the Group.

The activities of the associates are strategic to the Group's activities.

The Group has not recognised losses relating to PT Jawa where its share of losses exceeded the Group's interest in the associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was US$21,974,000 (2016: US$5,494,000) of which US$16,480,000 (2016: US$4,464,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

The summarised financial information in respect of PT Jawa and PT Logindo based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	PT Jawa		PT Logindo	
	2017 US$'000	2016 US$'000	2017 US$'000	2016[1] US$'000
Current assets	**2,750**	3,950	**15,096**	20,024
Non-current assets	**53,134**	85,763	**187,783**	202,180
Total assets	**55,884**	89,713	**202,879**	222,204
Current liabilities	**(20,055)**	(16,863)	**(17,041)**	(14,423)
Non-current liabilities	**(62,777)**	(66,165)	**(90,956)**	(100,768)
Total liabilities	**(82,832)**	(83,028)	**(107,997)**	(115,191)
Net (liabilities)/assets	**(26,948)**	6,685	**94,882**	107,013
Proportion of the Group's ownership	**49%**	49%	**32.4%**	35%
Group's share of net (liabilities)/assets	**(13,204)**	3,276	**30,742**	37,455
Deferred group's share of net losses	**21,974**	5,494	**–**	–
Elimination of gain on sale of vessels	**(5,626)**	(5,626)	**(3,270)**	(3,435)
Effects of change in functional currency	**(3,144)**	(3,144)	**–**	–
Allowance for impairment	**–**	–	**(14,778)**	–
Other adjustments	**–**	–	**77**	87
Carrying amount of the Group's investment in associates	**–**	–	**12,771**	34,107

12. INVESTMENT IN ASSOCIATES (CONT'D)

Summarised statement of comprehensive income

	PT Jawa		PT Logindo	
	2017 US$'000	2016 US$'000	2017 US$'000	2016[1] US$'000
Revenue	**5,608**	11,006	**27,013**	32,511
Loss after tax	**(33,633)**	(10,290)	**(20,179)**	(20,963)
Other comprehensive income	**6**	–	**981**	1,078
Total comprehensive income	**(33,627)**	(10,290)	**(19,198)**	(19,885)

(1) Previously recorded as investment in joint venture in 2016.

The associates are restricted by the Indonesia Law No. 40 Year 2007 to allocate a certain amount of its net profit in each financial year as a reserve fund. Please refer to Note 11(a) for further details. The reserve fund for PT Logindo as at 31 December 2017 was US$210,000 (2016: US$210,000).

No dividend (2016: Nil) was received from the associates during the financial year ended 31 December 2017.

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

13. INVESTMENT IN JOINT VENTURES

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

	Group	
	2017 US$'000	2016 US$'000
PT Logindo Samudramakmur Tbk	–	34,107
Alam Radiance (L) Inc	**5,865**	8,019
Duta Maritime Ventures Sdn. Bhd.	–	3,401
Aztec Offshore Holdings Pte Ltd	–	2,063
Dot Radiance Pte Ltd	–	4,347
Other joint ventures	**5,417**	8,409
	11,282	60,346
Less: Allowance for impairment	**(5,865)**	–
	5,417	60,346

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13. INVESTMENT IN JOINT VENTURES (CONT'D)

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group 2017 %	Percentage of equity held by the Group 2016 %
Held through subsidiaries				
Alam Radiance (M) Sdn Bhd[2]	Malaysia	Ship management and ship chartering	**50**	50
Alam Radiance (L) Inc[2][6]	Malaysia	Ship owning and ship chartering	**49**	49
PT Logindo Samudramakmur Tbk[2][8]	Indonesia	Ship owning and ship chartering	**–**	35
CA Offshore Investment Inc[5]	British Virgin Islands	Ship owning and ship chartering	**50**	50
Duta Pacific Offshore Sdn Bhd[2][6]	Malaysia	Ship owning and ship chartering	**49**	49
Duta Radiance Maritim Sdn Bhd[3][6]	Malaysia	Dormant	**49**	49
Duta Maritime Alliances Sdn Bhd[2][6]	Malaysia	Ship owning and ship chartering	**49**	49
Duta Maritime Ventures Sdn Bhd[2][6]	Malaysia	Ship owning and ship chartering	**49**	49
SDM Marine Pte Ltd[1]	Singapore	Ship owning and ship chartering	**50**	50
Aztec Offshore Holdings Pte Ltd[1][7]	Singapore	Ship owning and ship chartering	**19**	19
CR Offshore S.A.P.I de C.V.[5][6]	Mexico	Ship management and ship chartering	**49**	49
CEIBA Maritima, SAPI de CV, SOFOM ENR[5]	Mexico	Ship chartering and leasing	**50**	50
Dot Radiance Pte Ltd[1]	Singapore	Ship owning and ship chartering	**50**	50
Allianz Radiance Pte Ltd[1][4]	Singapore	Ship owning and ship chartering	**50**	–
Navigatis Radiance Pte Ltd[1]	Singapore	Investment holding	**50**	50
Held through joint venture				
Aztec Offshore Holdings Pte Ltd[1][7]	Singapore	Ship owning and ship chartering	**31.1**	31.1
Radiance Alliance Pte Ltd[1]	Singapore	Ship owning and ship chartering	**50**	50

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by member firms of EY Global in the respective countries

(3) Not significant to Group and not required to be disclosed under SGX Listing Rule 717

(4) Incorporated during the financial year

(5) Not required to be audited under the laws of the country of incorporation

(6) Remains as a joint venture company of the Group as the entity remains jointly controlled as governed by the contractual arrangement between the shareholders where decisions about the relevant activities require the unanimous consent of the shareholders.

(7) In 2016, Aztec became a subsidiary of the Group pursuant to the contractual agreement between the shareholders of Aztec as disclosed in Note 11 (b). On 30 December 2016, the Group's subsidiary company, Radiance Offshore, disposed 62% of its shareholding in Aztec to a joint venture company, Navigatis Radiance, and retained 19% equity interest in Aztec. Subsequent to the divestment, a new shareholders' agreement was entered into by Aztec's shareholders and Aztec became a joint venture company of the Group as it is jointly controlled as governed by the contractual arrangement between the shareholders where decisions about the relevant activities require the unanimous consent of the shareholders. Refer to Note 11 (c) for details.

(8) In 2017, the Group increased its investment in PT Logindo Samudramakmur Tbk ("PT Logindo") via a subscription of rights shares pursuant to the issuance of PT Logindo rights issue. Based on the result of the allotment and issuance, the Group has effective equity interests of 32.4% in PT Logindo. Following the rights issue, PT Logindo became an associate of the Group.

The Group had not recognised losses relating to joint ventures where its share of losses exceeds the Group's interest in the joint ventures. The Group's cumulative share of unrecognised losses at the end of the current financial year was US$44,754,000 (2016: US$11,289,000), of which US$33,465,000 (2016: US$7,178,000) was the share of the current year's losses. The Group had no obligation in respect of these losses.

13. INVESTMENT IN JOINT VENTURES (CONT'D)

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

	Group	
	2017 US$'000	**2016 US$'000**
The Group's share of the joint ventures'		
(Loss)/profit after tax	**(2,609)**	63
Other comprehensive income	**–**	–
Total comprehensive income	**(2,609)**	63

(a) Summarised financial information about material joint ventures

The joint ventures which are material to the Group are Alam Radiance (L) Inc ("AR (L)"), Duta Maritime Ventures Sdn. Bhd. ("DMV"), Aztec Offshore Holdings Pte Ltd ("Aztec") and Dot Radiance Pte Ltd ("Dot"). The joint ventures are incorporated in Malaysia and Singapore respectively and are strategic ventures in the business of vessel owning and chartering. Summarised financial information in respect of AR (L), DMV, Aztec and Dot based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	AR (L)		DMV		Aztec		Dot	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
Cash and bank balances	**2,210**	1,822	**969**	3,224	**419**	1,396	**50**	98
Trade receivables	**–**	–	**–**	–	**–**	–	**–**	–
Other current assets	**3,413**	2,050	**118**	1,025	**984**	10,229	**–**	609
Current assets	**5,623**	3,872	**1,087**	4,249	**1,403**	11,625	**50**	707
Non-current assets	**35,873**	35,796	**17,820**	34,080	**14,850**	28,460	**–**	19,287
Total assets	**41,496**	39,668	**18,907**	38,329	**16,253**	40,085	**50**	19,994
Current financial liabilities (excluding trade, other payables and provisions)	**24,095**	11,630	**24,312**	29,424	**19,405**	17,034	**12,004**	11,246
Other current liabilities	**1,596**	1,246	**481**	154	**2,114**	1,154	**4**	54
Non-current financial liabilities (excluding trade, other payables and provisions)	**–**	8,295	**–**	–	**9,420**	12,020	**–**	–
Total liabilities	**25,691**	21,171	**24,793**	29,578	**30,939**	30,208	**12,008**	11,300
Net assets/(liabilities)	**15,805**	18,497	**(5,886)**	8,751	**(14,686)**	9,877	**(11,958)**	8,694
Proportion of the Group's ownership	**49%**	49%	**49%**	49%	**19%**	19%	**50%**	50%
Group's share of net assets/(liability)	**7,744**	9,064	**(2,884)**	4,288	**(2,790)**	1,877	**(5,979)**	4,347
Deferred group's share of net losses	**–**	–	**3,748**	–	**2,790**	–	**5,979**	–
Elimination of gain on sale of vessels	**(4,464)**	(4,464)	**(864)**	(864)	**–**	–	**–**	–
Other adjustments	**2,585***	3,419*	**–**	(23)	**–**	186	**–**	–
Carrying amount of the investment	**5,865**	8,019	**–**	3,401	**–**	2,063	**–**	4,347
Allowance for impairment	**(5,865)**	–	**–**	–	**–**	–	**–**	–
	–	8,019	**–**	3,401	**–**	2,063	**–**	4,347

* Other adjustments for AR (L) relate to cumulative exchange differences and adjustments for application of consistent accounting policies as the Group.

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13. INVESTMENT IN JOINT VENTURES (CONT'D)

(b) Summarised statement of comprehensive income

	AR (L)		DMV		Aztec		Dot	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Revenue	**3,870**	4,778	**4,854**	11,028	**6,570**	6,588	**–**	–
Depreciation and amortisation	**(2,047)**	(2,125)	**(1,440)**	(1,440)	**(1,258)**	(1,258)	**–**	–
Operating expenses	**(5,181)**	(3,354)	**(16,835)**	(2,159)	**(28,103)**	(97)	**(20,476)**	(73)
Finance income	**–**	–	**8**	4	**–**	4	**–**	–
Finance costs	**(1,034)**	(1,298)	**(1,154)**	(1,427)	**(1,123)**	(1,683)	**(176)**	–
(Loss)/profit before tax	**(4,392)**	(1,999)	**(14,567)**	6,006	**(23,914)**	3,554	**(20,652)**	(73)
Income tax expense	**(5)**	(5)	**(70)**	(118)	**(649)**	(1,274)	**–**	–
(Loss)/profit after tax	**(4,397)**	(2,004)	**(14,637)**	5,888	**(24,563)**	2,280	**(20,652)**	(73)
Other comprehensive income	**–**	–	**–**	–	**–**	–	**–**	–
Total comprehensive income	**(4,397)**	(2,004)	**(14,637)**	5,888	**(24,563)**	2,280	**(20,652)**	(73)

There are no significant restrictions on the ability of joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans and advances.

14. AMOUNTS DUE FROM RELATED COMPANIES

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Amounts due from associates	**78,289**	73,650	**–**	–
Amounts due from joint ventures	**92,479**	81,471	**–**	–
Amounts due from subsidiaries	**–**	–	**390,405**	375,575
	170,768	155,121	**390,405**	375,575
Less: Allowance for impairment	**(70,036)**	(3,801)	**(220,225)**	(1,948)
	100,732	151,320	**170,180**	373,627
Less: Current portion	**(60,676)**	(89,177)	**(170,180)**	(373,627)
Non-current portion	**40,056**	62,143	**–**	–
Movement in allowance accounts:				
At 1 January	**3,801**	454	**1,948**	1,772
Charge for the year (Note 7)	**65,908**	3,440	**218,227**	191
Exchange difference	**327**	(93)	**50**	(15)
At 31 December	**70,036**	3,801	**220,225**	1,948
Amounts due from related companies comprised:				
Trade	**5,186**	13,226	**–**	–
Non-trade	**82,915**	97,910	**13,086**	10,369
Loans	**12,631**	40,184	**157,094**	363,258
	100,732	151,320	**170,180**	373,627

Amounts due from associates and joint ventures are unsecured, non-interest bearing, and are to be settled in cash, except for loans to joint ventures and associates of US$38,954,000 (2016: US$40,324,000) which bear weighted average interest rate at 5.2% (2016: 5.1%) per annum, and non-trade amount due from joint ventures and associates for sale of vessels of US$77,891,000 (2016: US$78,278,000) which bear weighted average interest rate at 6.5% (2016: 6.6%) per annum and secured by a right to call for ownership and title to the vessels to be re-vested to the Group.

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

Amounts due from associates and joint ventures are repayable upon demand except for non-trade amounts of US$63,916,000 (2016: US$62,143,000) which are repayable in 2 to 5 years (2016: 2 to 6 years).

Non-trade amounts include US$6,840,000 (2016: Nil) pertaining to lease receivables for vessels chartered to related company under finance lease.

Amounts due from subsidiaries are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Amounts due from associates and joint ventures that were individually determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties and billings in dispute.

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

	Group		Company	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
Singapore Dollar	**1,339**	5,238	**110,195**	93,324

15. DERIVATIVES

	Group 2017			Group 2016		
	Contract notional amount US$'000	**Assets US$'000**	**Liabilities US$'000**	**Contract notional amount US$'000**	**Assets US$'000**	**Liabilities US$'000**
Interest rate swaps	**54,010**	**153**	**(3)**	57,190	12	(203)
Cross currency swaps	**80,178**	**–**	**(5,504)**	80,178	–	(11,802)
		153	**(5,507)**		12	(12,005)
Less: Current portion		**(39)**	**5,504**		–	–
Non-current portion		**114**	**(3)**		12	(12,005)

	Company 2017			Company 2016		
	Contract notional amount US$'000	**Assets US$'000**	**Liabilities US$'000**	**Contract notional amount US$'000**	**Assets US$'000**	**Liabilities US$'000**
Cross currency swaps						
Current	**80,178**	**–**	**(5,504)**	–	–	–
Non-current	**–**	**–**	**–**	80,178	–	(11,802)

The interest rate swaps receive floating interest rates equal to 1 month LIBOR, pay an average fixed rate of interest of approximately 1.41% (2016: 1.41%) per annum and mature between March 2018 and March 2020 (2016: March 2018 and March 2020).

As at 31 December 2017, the Group and the Company held 3 cross currency swaps that have been designated as hedge of the Group's and the Company's interest rate and foreign currency exposure in respect of fixed rate notes with combined notional value of US$80,178,000 (2016: US$80,178,000). The cross currency swaps cover the SGD to USD exposure in respect of the fixed rate notes and interest rate due between August 2014 and August 2018. The terms of the contracts have been negotiated to match the terms for the fixed rate notes.

16. INVENTORIES

	Group	
	2017 US$'000	**2016 US$'000**
Balance sheet:		
Finished goods	**362**	873
Consolidated income statement:		
The following is included in consolidated income statement:		
Inventories recognised as an expense in cost of sales (Note 7)	**5,288**	6,167

17. TRADE RECEIVABLES

Trade receivables are unsecured, interest bearing and are generally on immediate to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group	
	2017 US$'000	**2016 US$'000**
Singapore Dollar	**3,059**	393
Malaysian Ringgit	**171**	–
Brazilian Real	**115**	426
Indonesian Rupiah	**242**	494

Included in trade receivables was an amount of US$875,000 (2016: US$453,000) relating to unbilled trade receivables.

Receivables that were past due but not impaired

The Group had trade receivables amounting to US$10,992,000 (2016: US$7,159,000) that were past due at the balance sheet date but not impaired. These receivables were unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2017 US$'000	**2016 US$'000**
Trade receivables past due but not impaired:		
Less than 30 days	**4,580**	1,781
30 to 60 days	**2,501**	1,369
61 to 90 days	**836**	1,304
91 to 120 days	**463**	711
More than 120 days	**2,612**	1,994
	10,992	7,159

17. TRADE RECEIVABLES (CONT'D)

Receivables that were impaired

The Group's trade receivables that were impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2017 US$'000	**2016 US$'000**
Trade receivables – nominal amounts	**13,544**	12,541
Less: Allowance for impairment	**(13,544)**	(12,541)
	–	–
Movement in allowance accounts:		
At 1 January	**12,541**	2,185
Arising from disposal of subsidiaries	**–**	(81)
Charge for the year (Note 7)	**992**	10,577
Write back of allowance (Note 7)	**(18)**	(169)
Exchange	**29**	29
At 31 December	**13,544**	12,541

Trade receivables that were individually determined to be impaired at the end of the reporting year relate to debtors that were in significant financial difficulties and had defaulted on payments. These receivables were not secured by any collateral or credit enhancements.

18. OTHER RECEIVABLES

	Group		Company	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
Deposits	**275**	516	**–**	–
Prepayments	**2,465**	2,672	**30**	11
GST/VAT receivable	**740**	743	**2**	24
Recoverables from customers	**432**	1,186	**–**	–
Recoverables from shipyard	**45**	74	**–**	–
Advances to staff	**60**	75	**–**	–
Advance payment to suppliers	**22**	84	**–**	–
Accrued interest	**3**	8	**–**	–
Loans to third parties	**18,001**	17,452	**–**	–
Tax recoverable	**94**	205	**–**	–
Other receivables	**3,753**	4,148	**–**	–
	25,890	27,163	**32**	35
Less: Allowance for impairment	**(18,875)**	(12,279)	**–**	–
	7,015	14,884	**32**	35
Movement in allowance accounts:				
At 1 January	**12,279**	2,650	**–**	–
Charge for the year (Note 7)	**6,553**	9,699	**–**	–
Written off during the year	**–**	(62)	**–**	–
Exchange	**43**	(8)	**–**	–
At 31 December	**18,875**	12,279	**–**	–

These amounts are unsecured, non-interest bearing except for loans to third parties which bear a weighted average interest rate at 6.2% (2016: 6.1%) per annum, and repayable upon demand and are to be settled in cash.

18. OTHER RECEIVABLES (CONT'D)

Loans to third parties include an amount of US$814,000 (2016: US$764,000) secured by investment securities owned by the borrower, and an amount of US$7,542,000 (2016: US$7,082,000) secured by shares of the borrower.

Other receivables that are impaired

Other receivables that were individually determined to be impaired at the end of the reporting period mainly relate to long outstanding loans to third parties.

At the balance sheet date, the Group has provided an allowance of US$16,387,000 (2016: US$10,362,000) for impairment of loan to third parties with a nominal amount of US$17,187,000 (2016: US$16,688,000).

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

	Group		Company	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
Singapore Dollar	**1,550**	1,639	**32**	35
Euro	**12**	695	**–**	–
Japanese Yen	**113**	107	**–**	–

19. INVESTMENT SECURITIES

	Group	
	2017 US$'000	**2016 US$'000**
Current:		
Held for trading investments		
- Equity securities (quoted)	**77**	69

20. CASH AND BANK BALANCES

	Group		Company	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
Cash at banks and on hand	**31,766**	46,391	**3,295**	4,126
Short-term bank deposits	**7,611**	4,237	**–**	–
	39,377	50,628	**3,295**	4,126
Less: Cash pledged	**(6,858)**	(8,337)	**(3,217)**	(2,974)
Cash and bank balances in the consolidated cash flow statement	**32,519**	42,291	**78**	1,152

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term bank deposits are made for varying periods up to three months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2017 for the Group and Company was 1.4% (2016: 1.1%) and Nil% (2016: Nil%) per annum respectively.

Certain operating bank accounts of the subsidiaries are pledged to financial institutions for banking facilities granted to the Group. The amount of cash and bank balances that were not available for use was US$6,858,000 (2016: US$8,337,000).

20. CASH AND BANK BALANCES (CONT'D)

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

	Group		Company	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
Singapore Dollar	**8,201**	5,534	**3,273**	3,103
Indian Rupee	**3,630**	1,130	**–**	–
Euro	**1**	18	**–**	–
Brazilian Real	**85**	136	**–**	–

21. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on immediate to 60-day terms.

Trade payables denominated in foreign currencies at 31 December were as follows:

	Group	
	2017 US$'000	**2016 US$'000**
Singapore Dollar	**9,196**	6,680
Indonesian Rupiah	**1**	2
Brazilian Real	**36**	22
Great Britain Pound	**13**	15
Malaysian Ringgit	**74**	68
Japanese Yen	**81**	227
Euro	**355**	301
Brunei Dollar	**119**	7
Saudi Riyal	**183**	–

22. OTHER LIABILITIES

	Group		Company	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
Current:				
Other payables	**904**	1,088	**162**	107
Deposits received	**112**	17,775	**–**	–
Amount due to shareholder of a subsidiary	**18,080**	17,659	**–**	–
Accrued operating expenses	**36,549**	16,156	**3,099**	2,083
Accrued tax expenses	**412**	40	**–**	–
Deferred gain on sale of vessels to joint ventures and associate	**1,075**	1,075	**–**	–
Advance billings to customers	**350**	–	**–**	–
Defined benefit plan obligation	**49**	48	**–**	–
	57,531	53,841	**3,261**	2,190
Non-current:				
Deferred gain on sale of vessels to joint ventures and associate	**11,717**	12,276	**–**	–
Total other liabilities	**69,248**	66,117	**3,261**	2,190

Other payables are non-interest bearing and are normally settled on immediate to 60-day terms except for those as disclosed.

22. OTHER LIABILITIES (CONT'D)

Deposits received relate to deposits collected from buyers for sale of vessels.

Advance payments from customers relate to advance payments collected from customers for sale of vessel.

Amount due to shareholder of a subsidiary is unsecured, repayable on demand and bears interest rate at 3.66% (2016: 3.14%) per annum and are to be settled in cash.

Deferred gain on sale of vessels to joint ventures and associate are amortised over the useful lives of the vessels.

Included in other liabilities was an amount of US$12,950,000 (2016: Nil) relating to acquisition of property, plant and equipment.

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

	Group		Company	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
Singapore Dollar	**6,453**	10,792	**3,261**	2,190

23. PROVISIONS

	Group Reinstatement cost US$'000
At 1 January 2016	187
Accretion expenses (Note 6)	33
At 1 January 2017	220
Accretion expenses (Note 6)	2
Exchange	19
At 31 December 2017	241

Provision for reinstatement cost of buildings was made based on the estimated cost of reinstating the leased premises when the leases expire in the year 2037, taking into consideration current market assessment of the time value of money.

24. DEFERRED CAPITAL GRANT

Deferred capital grant relates to government grant received for the acquisition of an equipment undertaken by the Group's subsidiary in Singapore to promote green technology. The Group shall not sell, assign, transfer or dispose of any rights in relation to the equipment within 5 years from completion of installation of the equipment.

25. AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Amounts due to associate	**7,136**	3,946	**–**	–
Amounts due to joint ventures	**271**	31	**–**	–
Amounts due to subsidiaries	**–**	–	**190,520**	176,682
	7,407	3,977	**190,520**	176,682
Amounts due to related companies comprised:				
Trade	**805**	6	**–**	–
Non-trade	**6,602**	3,971	**218**	9
Loans	**–**	–	**190,302**	176,673
	7,407	3,977	**190,520**	176,682

Amounts due to related companies are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

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

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Singapore Dollar	**–**	19	**100,649**	83,524

26. BANK LOANS

	Group	
	2017 US$'000	2016 US$'000
Bank loans	**451,921**	446,045
Less: Current portion	**(451,921)**	(49,029)
Bank loans (Non-current portion)	**–**	397,016

Bank loans were secured by:

- First legal mortgages over the vessels of the Group, with net book values of US$295,763,000 (2016: US$486,194,000) (Note 10);
- Escrow mortgages over the buildings, shipyard and plant and equipment of the Group, with net book values of US$60,377,000 (2016: US$59,157,000) (Note 10);
- A right to take assignment of charter earnings of the mortgaged vessels and insurance policies of the mortgaged vessels, mortgaged buildings and mortgaged shipyard; and
- Cash pledged of US$6,858,000 (2016: US$8,337,000).

In addition, an amount of US$451,921,000 (2016: US$446,045,000) of the Group's bank loans was secured by corporate guarantees from the Company.

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26. BANK LOANS (CONT'D)

Bank loans are repayable between 1 to 10 years (2016: 1 to 8 years), payable monthly or quarterly and bear interest. The weighted average interest rate on the bank loans was 3.72% (2016: 3.12%) per annum. Included in bank loans was an amount of US$81,304,000 (2016: US$47,658,000) denominated in SGD.

Included in the bank loans are 5 (2016: 6) revolving credit facilities amounting to a total of US$96,599,000 (2016: US$101,854,000), bearing interest at COF + 2.5%, LIBOR + 3.0%, LIBOR + 1.75%, LIBOR + 2.0% and LIBOR + 2.0% (2016: LIBOR + 2.0%, COF + 2.5%, LIBOR + 3.0%, LIBOR + 1.75%, LIBOR + 2.0% and LIBOR + 2.0%) per annum respectively. These loans are secured by a charge over certain vessels of the Group and are repayable between December 2018 and September 2021 (2016: February 2017 and September 2021).

During the year, the Group has commenced discussion with its bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure. The Group has reached an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group. Subsequent to year end, the Group has obtained in-principle support from major lenders and anchor investors on the broad terms of the restructuring. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under Section 210(1) of the Companies Act. This entails debt forgiveness, debt-to-equity conversion and equity injection which will be used to pare down debt and for future working capital requirements of the Group. Refer to Note 41 for more information on the restructuring.

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

			Non-cash changes		
	2016 US$'000	Cash flows US$'000	Foreign exchange US$'000	Other US$'000	2017 US$'000
Bank loans					
– current	49,029	(45,207)	690	447,409	**451,921**
– non-current	397,016	45,959	4,434	(447,409)	**–**
Total	446,045	752	5,124	–	**451,921**

The 'other' column relates to reclassification of non-current portion of bank loans due to passage of time and breach of certain loan covenants.

27. NOTES PAYABLE

		Group and Company	
	Redemption date/ Maturity date	2017 US$'000	2016 US$'000
Current:			
SGD100 million	29 August 2018	**73,344**	–
Non-current:			
SGD100 million	29 August 2018	**–**	67,806

The notes payable bear fixed interest rate of 4.3% (2016: 4.3%) per annum payable semi-annually with fair value of US$10,942,000 (2016: US$31,944,000) based on quoted market prices.

The market value of the notes payable are based on quoted prices available in active market (fair value hierarchy Level 1). The above notes are listed on SGX.

During the year, the Group has commenced discussions with the noteholders in relation to restructuring of the notes payable. Refer to Note 41 for more information on the restructuring.

28. FINANCE LEASE OBLIGATIONS

The Group has finance leases for motor vehicles and equipment. There are no restrictions placed upon the Group by entering into the leases. The weighted average effective interest rate implicit in the leases was 2.41% (2016: 2.45%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments were as follows:

	Group			
	2017		2016	
	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000
Not later than one year	**370**	**337**	234	206
Later than one year but not later than five years	**374**	**363**	592	560
Total minimum lease payments	**744**	**700**	826	766
Less: Amount representing finance charges	**(44)**	**–**	(60)	–
Present value of minimum lease payments	**700**	**700**	766	766

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

	2016 US$'000	Cash flows US$'000	Non-cash changes: Foreign exchange US$'000	Non-cash changes: Other US$'000	2017 US$'000
Finance lease obligations					
– current	206	(270)	18	383	**337**
– non-current	560	136	50	(383)	**363**
Total	766	(134)	68	–	**700**

The 'other' column relates to reclassification of non-current portion of finance lease obligations due to passage of time.

29. DEFERRED TAX LIABILITIES

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

	Group			
	Balance sheet		Consolidated income statement	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Deferred tax liabilities:				
Unremitted foreign sourced income	**2,065**	1,319	**746**	1,196
	2,065	1,319	**746**	1,196
Deferred tax expense (Note 8)			**746**	1,196

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29. DEFERRED TAX LIABILITIES (CONT'D)

	Group	
	2017 US$'000	**2016 US$'000**
Movement in deferred tax liabilities:		
At 1 January	**1,319**	123
Charge to profit or loss	**746**	1,196
At 31 December	**2,065**	1,319

Unrecognised tax losses

At the end of the financial year, the Group has tax losses of approximately US$14,391,000 (2016: US$10,322,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

Unrecognised temporary differences relating to investment in subsidiaries, joint ventures and associates

Temporary differences for which no deferred tax liability have been recognised aggregate to US$5,295,000 (2016: US$15,542,000) as the Group determined that the undistributed earnings of its subsidiaries, joint ventures and associates will not be distributed in the foreseeable future. The joint ventures and associates of the Group cannot distribute its earnings until it obtains the consent of both the venturers and shareholders respectively. At the end of the financial year, the Group does not foresee giving such consent. The deferred tax liability is estimated to be US$529,000 (2016: US$1,611,000).

30. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2017		**2016**	
	No. of shares '000	**US$'000**	**No. of shares '000**	**US$'000**
Issued and fully paid ordinary shares:				
Balance at the beginning and end of the year	**725,755**	**162,854**	725,755	162,854

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	2017		**2016**	
	No. of shares '000	**US$'000**	**No. of shares '000**	**US$'000**
Balance at the beginning of the year	**(12,243)**	**(2,530)**	(3,681)	(817)
Acquired during the financial year	**–**	**–**	(8,562)	(1,713)
Balance at end of the year	**(12,243)**	**(2,530)**	(12,243)	(2,530)

30. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) Treasury shares (Cont'd)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired Nil (2016: 8,562,000) shares in the Company through purchases on SGX during the financial year. The total amount paid to acquire the shares was US$Nil (2016: US$1,713,000) and this was presented as a component within shareholders' equity.

31. OTHER RESERVES

(a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations (including the Company) whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2017 US$'000	**2016 US$'000**
At 1 January	**(8,577)**	(9,290)
Net effect of exchange differences arising from translation of financial statements	**(1,427)**	713
At 31 December	**(10,004)**	(8,577)

(b) Employee share-based payments reserve

Employee share-based payments reserve represents the issuance of shares to employees and the performance share awards granted to employees (Note 32).

Share based payments reserve is made up of:

- the difference between the fair value and purchase price of shares issued to employees; and
- cumulative value of services received from employees recorded over the vesting period commencing from the grant dates of the performance share awards.

	Group and Company	
	2017 US$'000	**2016 US$'000**
At 1 January	**182**	172
Grant of equity-settled share performance awards to employees (Note 32)	**42**	10
At 31 December	**224**	182

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31. OTHER RESERVES (CONT'D)

(c) Hedging reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date. US$612,000 (2016: US$1,757,000) were made up of the net movements in cash flow hedges and the effective portion of the cross currency swaps.

	Group		Company	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
At 1 January	**(681)**	(2,768)	**(570)**	(2,327)
Net movement on cash flow hedge:				
Gains/(losses) arising during the year				
– Cross currency swaps	**612**	1,757	**612**	1,757
– Reclassification to profit or loss on dilution of interest in joint venture	**(12)**	–	**–**	–
– Share of net movement in cash flow hedge of a joint venture	**340**	330	**–**	–
At 31 December	**259**	(681)	**42**	(570)

(d) Defined benefit plan

The Group's subsidiary, PT Marine Engineering Services (PT MES) had made long-term employee benefits liabilities in order to meet and cover the minimum benefits required to be paid to the qualified employees under Labor Law No. 13/2003 (the "Labor Law").

The amount included in the consolidated balance sheet arising from PT MES's obligation in respect of its defined benefit plans is as follows:

	Group	
	2017 US$'000	**2016 US$'000**
Present value of defined benefit obligation	**49**	48
Net liability arising from defined benefit obligation	**49**	48

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

	Group	
	2017 US$'000	**2016 US$'000**
As at 1 January	**48**	–
Interest cost	**4**	11
Current service cost	**8**	24
Re-measurement loss	**1**	42
Benefits paid	**(12)**	–
Exchange differences	**–**	(29)
As at 31 December	**49**	48

31. OTHER RESERVES (CONT'D)

(d) Defined benefit plan (Cont'd)

The cost of defined benefit plan as well as the present value of the obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the benefit obligations for the defined benefit plan are shown below:

	2017	2016
Discount rate	**7.0%**	8.5%
Salary increment rate	**10.0%**	10.0%
Mortality rate	**TMI-2011**	TMI-2011
Retirement age	**55 years**	55 years
Actuarial method	**Projected Unit Credit**	Projected Unit Credit

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		2017 US$'000	2016 US$'000
Discount rate	+1%	**7**	7
	-1%	**(8)**	(8)
Salary increment rate	+1%	**(8)**	(8)
	-1%	**6**	7

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

	Group	
	2017 US$'000	2016 US$'000
At 1 January and 31 December	**(3,179)**	(3,179)

32. EMPLOYEE BENEFITS

	Group	
	2017 US$'000	2016 US$'000
Employee benefits expense (including directors):		
Salaries, wages and benefits	**8,632**	10,718
Central Provident Fund contributions	**782**	883
Employee service cost (Defined benefit plan) (Note 31(d))	**12**	35
Share-based payments (Performance share plan) (Note 31(b))	**42**	10
At 31 December	**9,468**	11,646

32. EMPLOYEE BENEFITS (CONT'D)

Performance Share Plan

With effect from 2016, Performance Share Awards are given to selected employees of the Company and its subsidiaries. The awards are conditional upon the achievement of predetermined performance targets over the performance period, which is three years for the Performance Share Awards. For the awards granted on 28 July 2016 ("Grant 1"), 50% of the awards will vest in two years from the grant date and the remaining 50% of the awards will vest in three years from the grant date. For the awards granted on 14 November 2017 ("Grant 2"), 33% of the awards will vest in May 2018, 33% of the awards will vest in May 2019 and the remaining of the awards will vest in May 2020. The awards are settled by delivery of the Company's shares.

The movements of the number of performance shares during the financial year were as follows:

Date of Grant	Outstanding as at 1 Jan '000	Granted during the financial year '000	Vested during the financial year '000	Cancelled during the financial year '000	Outstanding as at 31 Dec '000
2017					
28 July 2016	**1,870**	**–**	**–**	**(344)**	**1,526**
14 November 2017	**–**	**2,029**	**–**	**(24)**	**2,005**
	1,870	**2,029**	**–**	**(368)**	**3,531**
2016					
28 July 2016	–	1,985	–	(115)	1,870
	–	1,985	–	(115)	1,870

The fair values of the performance shares under Grant 1 are estimated using a Monte-Carlo simulation methodology at the measurement dates, which is the grant value date for these equity-settled awards, taking into account the terms and conditions upon which the awards were granted.

The following table lists the inputs to the option pricing models for Grant 1:

	Grant 1
Dividend yield (%)	4.55
Expected volatility (%)	2-year: 41.33 3-year: 41.64
Risk-free rate (%)	2-year: 1.49 3-year: 1.58
Share price at grant date (S$)	0.24

The fair values of the performance shares under Grant 2 are based on the share price of the Company as at the date of grant.

No performance share has been vested, issued or released as at 31 December 2017.

33. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2017 US$'000	**2016 US$'000**
Income		
Charter hire income:		
– Associates	–	1,300
– Joint ventures	**299**	9,468
Ship repair income:		
– Associates	**60**	–
– Joint ventures	**2,353**	–
Interest income from:		
– Associates	**2,583**	4,492
– Joint ventures	**3,035**	2,512
Gain on sale of vessels to:		
– Associates	–	–
– Joint ventures	–	680
Management fee income from:		
– Joint ventures	**289**	220
Ship management fee income from:		
– Associates	**24**	236
– Joint ventures	**280**	162
Miscellaneous income from:		
– Associates	**38**	249
– Joint ventures	**2,372**	295
Expense		
Charter hire expense and other cost of sales to:		
– Associates	**925**	–
– Joint ventures	**30**	6
Interest expense to:		
– A shareholder of a subsidiary	**422**	363
Other service expenses to:		
– A company related to a director	**60**	62

33. RELATED PARTY TRANSACTIONS (CONT'D)

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

	Group	
	2017 US$'000	**2016 US$'000**
Short-term employee benefits	**1,649**	1,817
Central Provident Fund contributions	**70**	68
	1,719	1,885
Comprise amounts paid to:		
Directors of the Company	**1,218**	1,335
Other key management personnel	**501**	550
	1,719	1,885

34. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements were as follows:

	Group	
	2017 US$'000	**2016 US$'000**
Capital commitments in respect of purchase/construction of vessels	**13,950**	69,630

(b) Operating lease commitments – as lessee

Rental expense was US$628,000 and US$827,000 for the years ended 31 December 2017 and 2016, respectively.

Charter hire expense was US$4,654,000 and US$4,673,000 for the years ended 31 December 2017 and 2016 respectively.

The Group had various agreements for the rental of land for its office and shipyard premises and for charter of vessels. The lease agreements for the rental of land for its office and shipyard premises contain provisions for rental adjustments that are based on market rent conditions and expire in the year 2037. The terms do not contain restrictions on the Group's activities concerning dividends, additional debts or entering into other leasing agreements.

Future minimum rental payable under these non-cancellable operating leases at the balance sheet date were as follows:

	Group	
	2017 US$'000	**2016 US$'000**
Not later than one year	**5,268**	5,324
Later than one year but not later than five years	**21,085**	21,310
Later than five years	**15,961**	22,129
	42,314	48,763

In 2018, the Group had negotiated and terminated one of the agreements for charter of vessel with no further obligations and penalties. As a result, the future minimum rental payment was reduced by US$30,026,000.

34. COMMITMENTS (CONT'D)

(c) Operating lease commitments – as lessor

The Group had entered into charter hire leases on its fleet of vessels. The leases have varying terms and renewal rights.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, were as follows:

	Group	
	2017 US$'000	**2016 US$'000**
Not later than one year	**10,156**	15,817
Later than one year but not later than five years	**22,687**	38,332
	32,843	54,149

35. CONTINGENT LIABILITIES

Corporate guarantee

As at the end of the financial year, the Company had issued corporate guarantees to banks for granting banking facilities to certain subsidiaries, joint ventures and associates.

	Group		Company	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
Corporate guarantees given for the borrowings of:				
– Subsidiaries	**–**	–	**451,921**	446,045
– Joint ventures	**34,614**	41,866	**29,050**	36,505
– Associates	**5,591**	5,564	**5,591**	5,564
	40,205	47,430	**486,562**	488,114

The Company had also issued corporate guarantees amounting to US$30,026,000 (2016: US$34,680,000) in respect of the operating lease commitment of 1 (2016: 1) vessel under a sale and leaseback agreement entered by the Group. In 2018, the Group had terminated the sale and leaseback agreement with no further obligations and penalties. As a result the Company was discharged from the corporate guarantee.

Corporate guarantees given by the Company will become due and payable on demand when an event of default occurs.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables, other receivables and amounts due from related companies. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by trading with recognised and credit worthy third parties.

The Group's objective is to seek continuous revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk was represented by:

– The carrying amount of each class of financial assets recognised in the balance sheets.

– Corporate guarantees provided by the Group and Company (Note 35).

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the ageing profile of its 5 major customers. At the balance sheet date, approximately 33% (2016: 5%) of the Group's trade receivables were due from 5 major customers.

	Total US$'000	Current US$'000	< 60 days US$'000	60 to 90 days US$'000	> 90 days US$'000
2017					
Top 5 customers	**6,218**	**3,590**	**2,346**	**256**	**26**
2016					
Top 5 customers	497	122	26	–	349

Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired were with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, cash in holding accounts and derivatives that were neither past due nor impaired were placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that were either past due or impaired

Information regarding financial assets that were either past due or impaired was disclosed in Note 17 (Trade receivables), Note 18 (Other receivables) and Note 14 (Amounts due from related companies).

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

(b) Liquidity risk

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

During the year, the Group has commenced discussion with its bank lenders, noteholders and potential investors in relation to the restructuring of the Group's borrowings and capital structure (see Notes 26 and 27).

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group				
2017				
Financial liabilities:				
Trade payables and other liabilities	**73,706**	**–**	**–**	**73,706**
Derivatives:				
– Interest rate swaps – settled net	**58**	**15**	**–**	**73**
– Cross currency swaps – gross payments	**82,643**	**–**	**–**	**82,643**
– Cross currency swaps – gross receipts	**(76,944)**	**–**	**–**	**(76,944)**
Amounts due to related companies	**7,407**	**–**	**–**	**7,407**
Bank loans	**468,771**	**–**	**–**	**468,771**
Notes payable	**78,016**	**–**	**–**	**78,016**
Finance lease obligations	**370**	**374**	**–**	**744**
Total undiscounted financial liabilities	**634,027**	**389**	**–**	**634,416**
2016				
Financial liabilities:				
Trade payables and other liabilities	48,673	–	–	48,673
Derivatives:				
– Interest rate swaps – settled net	368	381	–	749
– Cross currency swaps – gross payments	3,682	82,643	–	86,325
– Cross currency swaps – gross receipts	(2,974)	(72,664)	–	(75,638)
Amounts due to related companies	3,977	–	–	3,977
Bank loans	62,205	399,215	29,936	491,356
Notes payable	5,038	70,069	–	75,107
Finance lease obligations	234	592	–	826
Total undiscounted financial liabilities	121,203	480,236	29,936	631,375

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

(b) Liquidity risk (Cont'd)

Analysis of financial liabilities by remaining contractual maturities (Cont'd)

	One year or less US$'000	One to five years US$'000	Total US$'000
Company			
2017			
Financial liabilities:			
Other liabilities	**3,261**	–	**3,261**
Amounts due to related companies	**190,520**	–	**190,520**
Notes payable	**78,016**	–	**78,016**
Derivatives:			
– Cross currency swaps – gross payments	**82,643**	–	**82,643**
– Cross currency swaps – gross receipts	**(76,944)**	–	**(76,944)**
Total undiscounted financial liabilities	**277,496**	–	**277,496**
2016			
Financial liabilities:			
Other liabilities	2,190	–	2,190
Amounts due to related companies	176,682	–	176,682
Notes payable	5,038	70,069	75,107
Derivatives:			
– Cross currency swaps – gross payments	3,682	82,643	86,325
– Cross currency swaps – gross receipts	(2,974)	(72,664)	(75,638)
Total undiscounted financial liabilities	184,618	80,048	264,666

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities. The maximum amount of the corporate guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	One year or less US$'000
2017	
Group	
Corporate guarantees	**40,205**
Company	
Corporate guarantees	**486,562**
2016	
Group	
Corporate guarantees	47,430
Company	
Corporate guarantees	488,114

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

(c) Interest rate risk

Interest rate risk is the risk that the future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their bank loans. To partly manage interest rate fluctuations, the Group enters into interest rate swaps.

Sensitivity analysis for interest rate risk

At the balance sheet date, if USD interest rates had been 75 (2016: 75) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been US$2,950,000 (2016: US$2,392,000) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate bank loans. In computing the effect of changes in interest rates, the mitigating effect of interest rate swaps entered into by the Group has been considered. The analysis was performed on the same basis as prior year.

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily USD.

The Group's financial results can be affected by movements in the USD/SGD exchange rates arising from the portion of cost of sales and operating expenses that are denominated in SGD. The Group uses forward currency contracts to hedge foreign exchange exposures arising from SGD denominated cost of sales and operating expenses. The Group hedges partially its aggregate exposure to SGD.

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the SGD exchange rates against the USD, with all other variables held constant. The analysis was performed on the same basis for 2016.

		Group Loss before tax	
		2017 US$'000	**2016 US$'000**
USD/SGD	– strengthened 3% (2016: 3%)	**2,505**	1,593
	– weakened 3% (2016: 3%)	**(2,505)**	(1,593)

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(i) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

(i) Fair value hierarchy (Cont'd)

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

	2017 US$'000 Fair value measurements at the end of the reporting period using		
	Quoted prices in active markets for identifiable instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Total
Group			
Assets measured at fair value			
Financial assets:			
Held for trading financial assets			
Quoted equity securities (Note 19)	77	–	77
Derivatives (Note 15)			
Interest rate swaps	–	153	153
Financial assets as at 31 December	77	153	230
Liabilities measured at fair value			
Financial liabilities:			
Derivatives (Note 15)			
Interest rate swaps	–	(3)	(3)
Cross currency swaps	–	(5,504)	(5,504)
Financial liabilities as at 31 December	–	(5,507)	(5,507)
Company			
Liabilities measured at fair value			
Financial liabilities:			
Derivatives (Note 15)			
Cross currency swaps	–	(5,504)	(5,504)
Financial liabilities as at 31 December	–	(5,504)	(5,504)

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

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

	2016 US$'000 Fair value measurements at the end of the reporting period using		
	Quoted prices in active markets for identifiable instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Total**
Group			
Assets measured at fair value			
Financial assets:			
Held for trading financial assets			
Quoted equity securities (Note 19)	69	–	69
Derivatives (Note 15)			
Interest rate swaps	–	12	12
Financial assets as at 31 December	69	12	81
Liabilities measured at fair value			
Financial liabilities:			
Derivatives (Note 15)			
Interest rate swaps	–	(203)	(203)
Cross currency swaps	–	(11,802)	(11,802)
Financial liabilities as at 31 December	–	(12,005)	(12,005)
Company			
Liabilities measured at fair value			
Financial liabilities:			
Derivatives (Note 15)			
Cross currency swaps	–	(11,802)	(11,802)
Financial liabilities as at 31 December	–	(11,802)	(11,802)

Determination of fair value

Interest rate swaps and cross currency swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counter-parties, foreign exchange spot and forward rates, interest rate curves and forward rate curves. These contracts are determined by reference to published market prices or bankers' quotes at the reporting date without factoring in transaction costs.

37. 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 obligations.

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 obligations, 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's and Company's financial instruments that were carried in the financial statements.

	Loans and receivables US$'000	Financial assets at fair value through profit or loss US$'000
Group		
2017		
Assets		
Derivatives	**–**	**153**
Trade receivables	**18,607**	**–**
Other receivables	**3,694**	**–**
Amounts due from related companies	**100,732**	**–**
Investment securities	**–**	**77**
Cash and bank balances	**39,377**	**–**
	162,410	**230**
2016		
Assets		
Derivatives	–	12
Trade receivables	10,359	–
Other receivables	11,180	–
Amounts due from related companies	151,320	–
Investment securities	–	69
Cash and bank balances	50,628	–
	223,487	81

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

(iii) Financial instruments whose carrying amounts are reasonable approximation of fair value (Cont'd)

Financial instruments by category (Cont'd)

	Financial liabilities at amortised cost US$'000	Financial liabilities at fair value through profit or loss US$'000
Group		
2017		
Liabilities		
Trade payables	**17,706**	**–**
Other liabilities	**55,533**	**–**
Amounts due to related companies	**7,407**	**–**
Bank loans	**451,921**	**–**
Notes payable	**73,344**	**–**
Derivatives	**–**	**5,507**
Finance lease obligations	**700**	**–**
	606,611	**5,507**
2016		
Liabilities		
Trade payables	13,330	–
Other liabilities	34,943	–
Amounts due to related companies	3,977	–
Bank loans	446,045	–
Notes payable	67,806	–
Derivatives	–	12,005
Finance lease obligations	766	–
	566,867	12,005

	Loans and receivables US$'000
Company	
2017	
Assets	
Amounts due from related companies	**170,180**
Cash and bank balances	**3,295**
	173,475
2016	
Assets	
Amounts due from related companies	373,627
Cash and bank balances	4,126
	377,753

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

(iii) Financial instruments whose carrying amounts are reasonable approximation of fair value (Cont'd)

Financial instruments by category (Cont'd)

	Financial liabilities at amortised cost US$'000	Financial liabilities at fair value through profit or loss US$'000
Company		
2017		
Liabilities		
Other liabilities	**3,261**	**–**
Amounts due to related companies	**190,520**	**–**
Notes payable	**73,344**	**–**
Derivatives	**–**	**5,504**
	267,125	**5,504**
2016		
Liabilities		
Other liabilities	2,190	–
Amounts due to related companies	176,682	–
Notes payable	67,806	–
Derivatives	–	11,802
	246,678	11,802

38. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure it maintains a strong credit rating and healthy capital ratios in order to support its business, maximise shareholder value and fulfil its financing commitments. No changes were made in the objectives during the years ended 31 December 2017 and 31 December 2016.

The Group's capital management strategy includes a mix of debt and equity which is aligned to the Group's current business strategies. The Group monitors capital mainly using a gearing ratio, which is net debt divided by total equity attributable to equity holders of the company. The Group defines net debt as bank loans and notes payable, less cash and bank balances. This is monitored regularly to ensure compliance to debt covenants.

38. CAPITAL MANAGEMENT (CONT'D)

During the year, the Group has commenced discussion with its bank lenders, noteholders and potential investors in relation to the restructuring of the Group's borrowings and capital structure (see Notes 26 and 27).

	Group	
	2017 US$'000	**2016 US$'000**
Bank loans	**451,921**	446,045
Notes payable	**75,577**	67,806
Less: Cash and bank balances	**(39,377)**	(50,628)
Net debt	**488,121**	463,223
Equity attributable to the equity holders of the Company	**(42,121)**	290,808
Gearing ratio (%)	**NM**	159%

39. DIVIDENDS

	Group and Company	
	2017 US$'000	**2016 US$'000**
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final dividend for 2017 at Nil USD cents per share (2016: Final dividend for 2015 at 0.71 USD cents per share (~ 1.00 SGD cents per share))	–	5,295

40. SEGMENT INFORMATION

For management purposes, the Group is organised into three main operating business divisions based on their services and products:

I. The Offshore Support Services business is engaged in the owning, managing, chartering of offshore vessels supporting the offshore oil and gas industry;

II. The Subsea Business is engaged in owning, operating dive support vessels, and provision of subsea inspection, repair, maintenance and light construction services; and

III. The Complementary Businesses comprise the Marine Equipment Business, Shipyard Business and Project Logistics Services Business. The Marine Equipment Business is engaged in the design, supply and maintenance of deck equipment. The Shipyard Business is engaged in ship repair activities. The Project Logistics Business is engaged in the provision of offshore logistic solutions.

Except as indicated above, no other operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit from operations.

In presenting geographical information, segment revenue is based on the location in which the services are performed.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

40. SEGMENT INFORMATION (CONT'D)

	Offshore support services business US$'000	Subsea business US$'000	Complementary businesses US$'000	Per consolidated financial statements US$'000
2017				
Revenue:				
Sales	48,488	20,073	11,440	80,001
Inter-segment sales (Note A)	(6,264)	(1,281)	(4,781)	(12,326)
Sales to external customers	42,224	18,792	6,659	67,675
Results:				
Interest income	3,439	2,911	–	6,350
Finance costs	(18,393)	(133)	(1,089)	(19,615)
Depreciation and amortisation	(23,104)	(3,603)	(3,256)	(29,963)
Share of results of joint ventures	(14,015)	–	–	(14,015)
Share of results of associates	(4,945)	–	–	(4,945)
Impairment of property, plant and equipment	(178,070)	–	–	(178,070)
Other non-cash expenses (Note B)	(68,990)	(24,867)	(221)	(94,078)
Segment loss	(289,880)	(44,300)	(6,344)	(340,524)
Segment assets:				
Investment in associates	12,771	–	–	12,771
Investment in joint ventures	5,417	–	–	5,417
Additions to non-current assets (Note C)	15,082	28	338	15,448
Segment assets	393,436	113,071	67,611	574,118
Segment liabilities	558,680	19,126	53,247	631,053

40. SEGMENT INFORMATION (CONT'D)

	Offshore support services business US$'000	Subsea business US$'000	Complementary businesses US$'000	Per consolidated financial statements US$'000
2016				
Revenue:				
Sales	67,630	9,889	2,905	80,424
Inter-segment sales (Note A)	(8,901)	(24)	(2,078)	(11,003)
Sales to external customers	58,729	9,865	827	69,421
Results:				
Interest income	2,829	4,800	9	7,638
Finance costs	(15,266)	(639)	(654)	(16,559)
Depreciation and amortisation	(25,599)	(3,548)	(2,305)	(31,452)
Share of results of joint ventures	(4,756)	–	–	(4,756)
Share of results of associate	–	–	–	–
Impairment of property, plant and equipment	(28,698)	–	–	(28,698)
Other non-cash expenses (Note B)	(22,790)	(713)	(44)	(23,547)
Segment loss	(100,715)	(8,260)	(9,183)	(118,158)
Segment assets:				
Investment in associate	–	–	–	–
Investment in joint ventures	60,346	–	–	60,346
Additions to non-current assets (Note C)	110,897	169	14,941	126,007
Segment assets	705,718	135,224	63,385	904,327
Segment liabilities	552,959	11,310	51,038	615,307

Note A: Inter-segment sales are eliminated on consolidation.

Note B: Other non-cash expenses consist of impairment of joint ventures and associates, financial assets and club membership as presented in the respective notes to financial statements.

Note C: Additions to non-current assets consist of additions to property, plant and equipment.

Geographical information

Revenue is based on the geographical location in which the services are performed. Non-current assets are based on the geographical location of the companies that own the assets:

	Revenue		Non-current assets	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Asia [1]	**42,742**	45,731	**389,255**	612,707
Middle East	**21,105**	6,610	**–**	–
Australia	**3,828**	2,303	**–**	–
Latin America	**–**	14,777	**6**	1,361
	67,675	69,421	**389,261**	614,068

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

40. SEGMENT INFORMATION (CONT'D)

Geographical information (Cont'd)

Included in revenue from Asia is an amount of US$6,800,000 (2016: US$1,032,000) relating to revenue from Singapore.

Non-current assets information presented above consists of property, plant and equipment and club memberships as presented in the consolidated balance sheet.

Included in non-current assets from Asia is an amount of US$372,941,000 (2016: US$586,788,000) relating to non-current assets from Singapore.

Information about major customers

Revenue from 2 major customers (2016: 3 major customers) amounting to US$17,026,000 and US$27,133,000 for the financial years ended 31 December 2017 and 2016 respectively arose from sales by the Offshore Support Business.

As the Group performs analysis of geographical segment revenue based on a regional/continent basis instead of by individual country, it is more meaningful and relevant to view the regional spread based on groupings of countries making up key regions/continents for the oil and gas activities.

41. SUBSEQUENT EVENTS

The Company conducted a consent solicitation exercise in Feburary 2018 to seek approval from the noteholders for the restructuring of its notes payable. The resolutions tabled at the noteholders meeting were not passed. The Company will continue to engage its noteholders and conduct another consent solicitation exercise before the due date of the notes payable.

The Company intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under section 210(1) of the Act. The Management believes that the restructuring if implemented will allow the Group to sustain its operations under current challenging market conditions and position for the eventual recovery of the offshore marine sector.

41. SUBSEQUENT EVENTS (CONT'D)

The intended restructuring proposal is envisaged to contain the following main terms, barring unexpected externalities and subject to conclusion of ongoing discussions and definitive agreements with the stakeholder groups:

Investment	An aggregate amount of approximately US$120 million to be injected by the potential investors by way of subscription of new ordinary shares out of the capital of the Company ("**New Shares**").
Secured Debt	The existing financial obligations (including financial obligations of certain joint ventures but excluding property loan) owing to the bank lenders ("**Bank Loans**") will be re-profiled based on the assessment of the valuation and income generating ability of the existing security assets. Approximately US$100 million of the aggregate re-profiled Bank Loans shall be repaid and an equivalent amount of approximately US$100 million will be forgiven upon the restructuring becoming effective. The remaining re-profiled Bank Loans of approximately US$120 million will be repaid over 3 years from 1 January 2021 to 31 December 2023. 50% of the contractual interest margin payable under the re-profiled Bank Loans shall be deferred for a period of 3 years from 1 January 2018 to 31 December 2020 and the deferred interests shall be paid by 31 December 2023. The property loan shall be repaid on the terms of the existing repayment schedule from 1 January 2021 save that the terms of interest repayment shall be the same as that of the re-profiled Bank Loans. The unsecured portion of approximately US$110 million of the Bank Loans will be restructured together with the other unsecured liabilities (other than the Noteholders) and bank lenders will receive New Shares in respect of their outstanding debt.
Unsecured Debt	The unsecured creditors (excluding the Noteholders in respect of their outstanding debt which is unsecured and professional advisors and suppliers and vendors that are necessary for continued operations) will receive New Shares that represent their outstanding debt. The unsecured debt of the Noteholders will be restructured and terms may include upfront cash, upfront conversion of debt to equity and/or conversion to convertible debt securities.

On 14 May 2018, a vendor, Alliance Catering & Consultancy Pte Ltd ("Alliance Catering"), has filed winding up applications with the High Court of the Republic of Singapore (the "Court") against Pacific Crest Pte Ltd and CSI Offshore Pre Ltd (collectively the "Entities"), both wholly-owned subsidiaries of the Group (the "Winding Up Applications"), in relation to statutory demands dated 12 April 2018 made by Alliance Catering for the payment for services rendered by Alliance Catering to the Entities. The Winding Up Applications were filed by Alliance Catering as settlement on mutually acceptable terms could not be reached. There is no financial impact to the Group as the liabilities owing to Alliance Catering has been recorded.

In order to preserve the ongoing discussions on the restructuring, the Entities have on 16 May 2018 and 18 May 2018 made applications (the "Applications") to the Court under section 211B(1) of the Act to seek interim protection against certain legal proceedings taken by vendors. The Court has on 11 June 2018, granted the Entities moratorium in respect of the Applications. Accordingly, the following orders were made:

– no appointment shall be made of a receiver or manager over any property or undertaking of the Entities;

– no action or proceedings in Singapore or elsewhere shall be commenced or continued against the Entities (other than proceedings under sections 210, 211B, 211D, 211G, 211H or 212 of the Companies Act), except with the consent of the Entities or the leave of the Court and subject to such terms as the Court imposes;

41. SUBSEQUENT EVENTS (CONT'D)

- no execution, distress or other legal process in Singapore or elsewhere against any property of the Entities shall be commenced, continued or levied, except with the consent of the Entities or the leave of the Court and subject to such terms as the Court imposes;

- no step to enforce any security over any property of the Entities, or to repossess any goods held by the Entities under any chattels leasing agreement, hire purchase agreement or retention of title agreement shall be taken or continued in Singapore or elsewhere, except with the consent of the Entities or the leave of the Court and subject to such terms as the Court imposes; and

- no enforcement of any right of re entry or forfeiture under any lease in respect of any premises occupied by the Entities in Singapore or elsewhere shall be commenced or continued (including any enforcement pursuant to sections 18 or 18A of the Conveyancing and Law of Property Act (Cap. 61)), except with the consent of the Entities or the leave of the Court and subject to such terms as the Court imposes,

for a period of six (6) months from 11 June 2018 or until further order.

The moratorium provides stability for the daily operations of the Group to continue with support of its customers and key trade suppliers and allow the Group an opportunity and adequate time to pursue the restructuring.

On 14 June 2018, Pacific Crest Pte Ltd, entered into an agreement to terminate the shipbuilding contract for its vessel under construction. As a result of the termination, the instalments amounting to US$5,550,000 paid to the seller were forfeited and both Pacific Crest Pte Ltd and the seller had mutually released and discharged each other from all claims in relation to the shipbuilding contract. The Group will derecognise the asset under construction of US$12,375,000 and accrued liabilities to the seller of US$13,565,000.

42. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 22 June 2018.

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STATISTICS OF SHAREHOLDINGS

AS AT 7 JUNE 2018

SHARE CAPITAL

Class of shares	:	Ordinary Shares
Number of issued and paid-up shares (excluding Treasury Shares)	:	713,512,013
Number of Treasury Shares	:	12,243,000
Number (Percentage) of Treasury Shares to total number of issued shares excluding Treasury Shares	:	1.72%
Voting rights (excluding Treasury Shares)	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	3	0.12	115	0.00
100 – 1,000	142	5.68	131,000	0.02
1,001 – 10,000	1,042	41.66	6,224,809	0.87
10,001 – 1,000,000	1,293	51.70	81,695,084	11.45
1,000,001 and above	21	0.84	625,461,005	87.66
Total	2,501	100.00	713,512,013	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
YM InvestCo Pte. Ltd.	465,470,000	65.24	–	–
Mok Weng Vai	46,896,256	6.57	–	–
Pang Yoke Min	20,120,444	2.82	465,470,000(1)	65.24

(1) Mr. Pang Yoke Min is deemed to be interested in the 465,470,000 shares held by YM InvestCo Pte. Ltd. by virtue of Section 4 of the Securities and Futures Act as he and his associates hold 100.0% of the shares in YM InvestCo Pte. Ltd..

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LTD	435,110,184	60.98
2	DBS NOMINEES PTE LTD	55,455,000	7.77
3	MOK WENG VAI	46,896,256	6.57
4	YONG YIN MIN	27,623,000	3.87
5	CITIBANK NOMINEES SINGAPORE PTE LTD	14,539,300	2.04
6	PANG YOKE MIN	11,120,444	1.56
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,854,900	0.82
8	MAYBANK KIM ENG SECURITIES PTE LTD	4,554,751	0.64
9	FREDDIE TAN POH CHYE	3,099,000	0.43
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,581,900	0.36
11	UOB KAY HIAN PTE LTD	2,454,500	0.34
12	LIM & TAN SECURITIES PTE LTD	2,143,600	0.30
13	PHILLIP SECURITIES PTE LTD	1,852,700	0.26
14	OCBC NOMINEES SINGAPORE PTE LTD	1,718,400	0.24
15	S NALLAKARUPPAN	1,658,400	0.23
16	KGI SECURITIES (SINGAPORE) PTE LTD	1,655,300	0.23
17	MARC-PLAN PTE LTD	1,650,000	0.23
18	LAU BOON HWEE	1,609,970	0.23
19	OCBC SECURITIES PRIVATE LTD	1,424,500	0.20
20	TAN SIANG SENG	1,390,000	0.19
	Total:	**624,392,105**	**87.49**

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 7 June 2018, approximately 20.74% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the Company will be held at 15 Pandan Road, Singapore 609263 on Monday, 16 July 2018 at 10.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Statement and the Independent Auditor's Report thereon.

   (See Explanatory Note 1)

2. To approve the Directors' fees of S$395,000 for the financial year ending 31 December 2018. (**Resolution 1**)

3. (i) To re-elect the following Directors who are retiring pursuant to Article 111 of the Company's Constitution, and being eligible, offered themselves for re-election:–

   Article 111

   (a) Mr. Pang Yoke Min (**Resolution 2**)

   (b) Mr. Mok Weng Vai (**Resolution 3**)

   (ii) To note the retirement of Mr. Wong Meng Hoe pursuant to Article 111 of the Company's Constitution.

   (See Explanatory Note 2)

4. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. (**Resolution 4**)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:–

5. Authority to allot and issue shares

   (a) "That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the SGX Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

   (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to, the creation and issue of warrants, debentures or other instruments convertible into shares;

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

   (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

(A) new shares arising from the conversion or exercise of convertible securities,

(B) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX Securities Trading Limited, and

(C) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier." (**Resolution 5**)

(See Explanatory Note 3)

6. Authority to grant awards and issue shares under the Pacific Radiance Performance Share Plan

"That approval be and is hereby given to the Directors of the Company to:

(a) grant awards in accordance with the provisions of the Pacific Radiance Performance Share Plan (the "**Performance Share Plan**"); and

(b) allot and issue such number of ordinary shares in the capital of the Company as may be required to be delivered pursuant to the vesting of awards under the Performance Share Plan, provided that the aggregate number of new shares to be issued under the Performance Share Plan shall not exceed 15% of the total number of issued shares (excluding treasury shares) from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note 4) (**Resolution 6**)

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

29 June 2018

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chap 50, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

2. Pursuant to Section 181(1C) of the Companies Act, Chap 50, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be lodged at the office of the Singapore Share Registrar and Share Transfer Office, either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898, at least 48 hours before the time appointed for the AGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the AGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the AGM.

Explanatory Notes:

1. This Agenda is meant for discussion only as under the provisions of Section 201 of the Companies Act, Chapter 50, the Audited Financial Statements need to be laid before the meeting and hence, the matter will not be put forward for voting.

2. Mr. Wong Meng Hoe is retiring pursuant to Article 111 of the Company's Constitution and is not seeking for re-election at the AGM. Mr. Wong will, upon retirement, cease acting as a member of the Nominating Committee of the Company.

   Key information on the retiring directors can be found on pages 8 to 13 of the Annual Report.

3. The ordinary resolution no. 5 under item no. 5 is to authorise the Directors of the Company from the date of this AGM until the next AGM to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of total number of shares excluding treasury shares of the Company, of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

4. The ordinary resolution no. 6 under item no. 6 is to authorise the Directors of the Company from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the Performance Share Plan, and to allot and issue shares in the capital of the Company pursuant to the Performance Share Plan provided that the aggregate number of shares to be issued under the Performance Share Plan does not exceed 15% of the total number of issued shares excluding treasury shares of the Company from time to time.

PACIFIC RADIANCE LTD.
(the "Company")
(Incorporated in the Republic of Singapore)
(Company Registration No. 200609894C)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT:
1. Pursuant to Section 181(1C) of the Companies Act, Chapter. 50 (the "Act"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

*I/We ______________________________ (Name) ____________ (NRIC/Passport Number)

of ____ (Address)

being a member/members of Pacific Radiance Ltd. (the "Company"), hereby appoint:

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

Or failing him/her, the **Chairman of the Meeting** as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 15 Pandan Road, Singapore 609263 on Monday, 16 July 2018 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/they may on any other matter arising at the AGM.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided)

No.	**Ordinary Resolutions**	**No. of Votes For***	**No. of Votes Against***
1.	Approval of Directors' Fees for the financial year ending 31 December 2018		
2.	Re-election of Mr Pang Yoke Min as director		
3.	Re-election of Mr Mok Weng Vai as director		
4.	Re-appointment of Auditors		
5.	Authority to issue ordinary shares		
6.	Authority to grant awards and to issue shares under the Pacific Radiance Performance Share Plan.		

* If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [✓] within the relevant box. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of Shares in the boxes provided.

Dated this ________ day of ______________ 2018

Total number of Shares held:	**No. of Shares**
CDP Register	
Register of members	

____
Signature/Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Companies Act, Chapter 50, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act.

5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be lodged at the office of the Singapore Share Registrar and Share Transfer Office, either by hand at 80 Robinson Road, #11-02 Singapore 068898, or by post to 80 Robinson Road, #02-00, Singapore 068898, at least 48 hours before the time appointed for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. An investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Pang Yoke Min
Executive Chairman

Mr Mok Weng Vai
Executive Director

Mr Pang Wei Meng
Executive Director

Mr Lau Boon Hwee
Executive Director

Mr Ng Tiong Gee
Lead Independent Director

Ms Ooi Chee Kar
Independent Director

Mr Goh Chong Theng
Independent Director

Mr Wong Meng Hoe
Independent Director

Mr Yong Yin Min
Independent Director

AUDIT COMMITTEE

Mr Goh Chong Theng, Chairman
Ms Ooi Chee Kar
Mr Yong Yin Min

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

Mr Ng Tiong Gee, Chairman
Mr Wong Meng Hoe
Mr Pang Wei Meng

JOINT COMPANY SECRETARIES

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

REGISTERED OFFICE

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

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
80 Robinson Road
#02-00
Singapore 068898

AUDITORS AND REPORTING AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-Charge:
Mr Chan Yew Kiang
Chartered Accountant,
a member of the Institute of Singapore Chartered Accountants

Appointed since financial year ended 2016

PRINCIPAL BANKERS

United Overseas Bank Ltd.
80 Raffles Place
UOB Plaza
Singapore 048624

Standard Chartered Bank
8 Marina Boulevard
Marina Bay Financial Centre Tower 1
Singapore 018981

DBS Bank Ltd.
12 Marina Boulevard, Level 46
DBS Asia Central @ MBFC Tower 3
Singapore 018982

Oversea-Chinese Banking Corporation Limited.
65 Chulia Street
OCBC Centre
Singapore 049513

CIMB Bank
50 Raffles Place
#01-02 Singapore Land Tower
Singapore 048623

HSH Nordbank AG
3 Temasek Avenue
#33-00 Centennial Tower
Singapore 039190

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COMPANY REGISTRATION NUMBER 200609894C