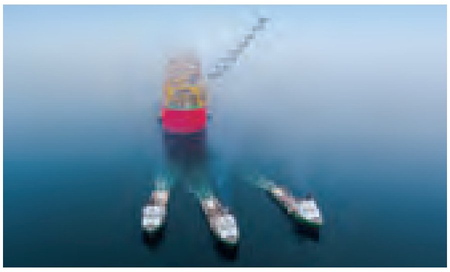
POSH
Excellence Through Safety



Staying ahead through excellence

PACC OFFSHORE SERVICES HOLDINGS LTD.

ANNUAL REPORT

2018

Every minute, every hour, every day...

Our Vision

We aspire to be the best-in-class service provider, and our customers' partner of choice. We are reputed for our reliability, professionalism, integrity and operational excellence.

Our Core Values

TEAMWORK
- Embrace our "ONE TEAM" culture to meet our shared vision and mission.
- Appreciate the contributions of each member of our POSH family, both on shore and at sea.

INTEGRITY
- Honour our commitments and deliver on our promises.
- Be sincere and honest in all our engagements.

ACCOUNTABILITY
- Be accountable for our actions or inaction.
- Be proactive and take ownership – "If it is to be, it is up to me".

DEDICATION TO HEALTH, SAFETY, QUALITY & ENVIRONMENT
- Uphold our firm commitment to operational and safety excellence while delivering constant improvements.
- Keep our staff and our work environments safe and healthy.
- Care for our planet – do no environmental damage.

CUSTOMER AND MARKET FOCUS
- Always listen to and focus on the needs of our customers.
- Be alert to market forces re-shaping the business landscape to identify and capture new opportunities.
- Be passionate about what we do and relish the pursuit of finding solutions to any challenge.

About POSH

PACC Offshore Services Holdings Ltd. ("**POSH**") is a leading offshore marine services provider with over 60 years of operating experience and specialised expertise. With a young and diverse fleet of over 100 offshore vessels servicing multiple segments of the offshore oil and gas value chain, we are known as a best-in-class service provider with a reputation for operational excellence, teamwork, integrity, accountability, safety and market focus.

Our highly experienced team is recognised by customers for our professionalism and commitment to service quality and safety. We are known for continually raising the bar in offshore marine services, and our proven international track record makes us the partner of choice for clients.

We operate across four major business divisions: Offshore Supply Vessels ("**OSV**"), Offshore Accommodation ("**OA**"), Transportation & Installation ("**T&I**"), and Harbour Services & Emergency Response ("**HSER**").

POSH is headquartered in Singapore and listed on the Mainboard of the Singapore Exchange. Our fleet operates worldwide, serving offshore oilfields in Asia, Africa, Middle East, Europe, North and Latin America, supporting projects involving many of the world's major oil companies and established international offshore contractors.

In this year's report

Contents

In line with our efforts to go green, we've created an online reporting suite for your viewing on desktop and mobile. Scan this QR code to access the digital version of our Annual Report.

www.posh.com.sg/ar2018/

We remain driven to do better and push ourselves further...

Success in any endeavour depends on an individual's mindset and attitude. However daunting or seemingly impossible a project can come across to be, the mission can still be accomplished if they are powered by a team imbued with an indomitable spirit and relentless drive. This is precisely the kind of passion that each and every one of our people at POSH shares.

Breaking new grounds and capturing exciting opportunities for the future...

It is often said that change is the only constant. As our industry continues to evolve and adapt to the new normal, companies with foresight and ability to discern what lies over the horizon while acting decisively will reap substantial rewards. The possibilities are limitless for those with the vision and courage to seize the day.


POSH

While staying committed to our goal of excellence in all that we do.

Staying competitive in any industry requires one to consistently deliver what clients expect today. But to truly excel, one has to go above and deliver what they need for tomorrow. At POSH, we have built and staked our reputation on being able to help our clients around the world deliver business-critical outcomes. We believe in excelling in all that we do.


POSH

Our Growth Journey

2006

- Company incorporated as PACC Offshore Pte. Ltd.
- Entered the deepwater segment through orders for two 16,000 BHP DP2 AHTS
- Entered the oilfield services sector through orders for 16 8,000-10,000 BHP AHTS between 2006 and 2007

2007

- Acquired PSA Marine's offshore businesses comprising SEMCO Pte. Ltd., a leading FPSO towage operator; Maritime Pte. Ltd., a leading transportation and installation operator; and various ship-owning entities
- Company renamed PACC Offshore Services Holdings Pte. Ltd.

2008

- Entered the offshore accommodation segment through four accommodation vessels

2015

- Further expansion into the Middle East with two LCVs deployed to Saudi Arabia

2016

- POSH Terasea successfully delivered one of the world's largest FPSOs, the Glen Lyon, from Ulsan, South Korea to Haugesund, Norway

2017

- Completed extended two-year charter with Petrobras for the 750-pax POSH Xanadu SSAV
- Successfully completed back-to-back major projects including the delivery of the Ichthys Explorer CPF, the world's largest semi-submersible platform, Ichthys Venturer FPSO, Prelude FLNG, the world's largest offshore floating facility, and Egina FPSO, the world's largest FPSO
- Secured a long-term contract with an oil major in Saudi Arabia to provide accommodation support for offshore platforms in the Arabian Gulf

2010

- Formed PSV fleet through the initial acquisition of two diesel electric PSVs and subsequent addition of six more PSVs

2012

- Enhanced position in the offshore accommodation segment with an order of two 750-pax SSAVs between 2012 and 2013

2013

- Awarded public licence by the Maritime and Port Authority of Singapore for the provision of towage services in Singapore

2014

- Launched Initial Public Offering to strong institutional and retail support – IPO offering was five times subscribed
- Admitted to the Mainboard of the Singapore Exchange and commenced trading

2018

- POSH Arcadia and POSH Xanadu completed the Shell Prelude FLNG and Chevron Big Foot TLP project respectively
- To date, 13 vessels on long-term contracts with a National Oil Company in the Arabian Gulf
- Incorporated POSH Kerry Renewables, a joint venture with Kerry TJ Logistics dedicated to serving the offshore renewables market in Taiwan
- Established POSH Subsea as the Group's specialist arm for subsea solutions

Chairman's Letter to Shareholders

DEAR SHAREHOLDERS,

The past year was another challenging one for our industry. These challenges are likely to endure in the year ahead as there is increasing volatility in the macro environment and a continued oversupply of vessels, which - more than oil prices - are hampering the sector's recovery.

POSH, however, will remain differentiated amid this backdrop of uncertainty. While these external factors are not within our control, we have taken firm actions wherever we can to innovate across our business to deliver growth. Even as many in the industry consolidate and streamline, we are instead pivoting to become a more comprehensive solutions provider, while concurrently finding new ways of improving cost efficiency and service delivery.

We delivered on these fronts in 2018.

We can also be proud that our enduring safety-first, excellence-always ethos saw clients and partners choose POSH amid stiff competition for charters and allowed us to capture a slight improvement in rates.

Delivering on promises in challenging times

On an operational front, we successfully executed on several major projects in 2018. Among them, our semi-submersible accommodation vessels ("**SSAVs**") POSH Arcadia and POSH Xanadu completed their charters for the class-leading Shell Prelude and Chevron Big Foot projects, with zero Lost Time Injury ("**LTI**") and near 100% gangway uptime. This was achieved despite rough weather conditions and the project teams deservedly earned accolades from our clients for their outstanding work.

We maintained our commitment to training and developing our staff across our entire fleet, in our operations and throughout the various functions onshore. This focus on talent will continue to underpin our strategy at POSH.

Financially, our performance reflected what remains a persistently depressed market for all across the offshore marine sector. Nevertheless, we grew revenue by 56% over the year to US$299.4 million and remained EBITDA and operational cash flow positive, generating net operating cash flow of US$27.5 million.

Notwithstanding a write-down of US$49.5 million on vessels, which are reflective of the prevailing challenges in our industry, net loss attributable to shareholders ("**NLAT**") more than halved to US$98.3 million from the previous year. In view of this, the Board did not propose any dividend payment for the financial year ended 31 December 2018.

As challenging as industry conditions have been, we remain focused on the need to balance short-term financial performance with long-term sustainable growth. In the past year, POSH continued to be deliberate and disciplined in its approach to managing the business.

An enduring commitment to innovation and growth

As companies respond to industry challenges, our established heritage and reputation for excellence have allowed us to adopt a contrarian approach. Where many are cutting back, we are investing and capitalising on opportunities.

As a result, POSH is increasingly capable of delivering solutions across the full value chain for our clients. This includes our new capabilities developed for subsea operations. In 2018, we successfully repurposed and converted select existing assets for subsea Inspection, Maintenance and Repair ("**IMR**") operations as well as walk-to-work support for offshore accommodation charters.

At the same time, we are investing in other new growth areas, including diversifying into the offshore renewables sector in Taiwan through our POSH Kerry Renewables joint venture with Kerry TJ Logistics. The strong business network available through the Kuok Group of companies was instrumental to this development, allowing us to identify and seize new opportunities beyond traditional oil and gas that will reap rewards over the longer term.

Our business strategy for the year ahead is about getting closer to customers and markets. Our POSH Saudi office has already demonstrated the value of this approach, having brought in a strong charter pipeline. We expect the same positive response as we grow our global footprint further in 2019.

Strengthening our foundations for the future

Looking at the year ahead, the one certainty is that volatility will continue. The tipping point towards crude price recovery remains unclear amid still uncertain macroeconomic conditions. Oil and gas majors need to be fully convinced that fundamentals are back in place before making further significant commitments to their investment programmes.

Against this backdrop, POSH will continue to focus on driving our bottom line performance while remaining cash and EBITDA generative. At the same time, we will leverage on our competitive strengths – safety, operational excellence and strong client relationships – to stay ahead.

Our strategy and efforts are about making POSH future-ready. While our industry's immediate prospects remain unclear, I am confident that POSH is in a position of relative strength to capitalise on growth opportunities that will broaden our service offerings and add to our value proposition, putting us in a stronger position to generate sustainable value for you, over the longer term.

Finally, on behalf of the Board of Directors, I would like to express my gratitude to all our shareholders, clients and business partners. Your support and continued trust has been invaluable. To the staff and management, thank you for your commitment and perseverance that will drive POSH forward.

Chairman
Kuok Khoon Ean

US$299.4 Million
2018 Revenue

US$27.5 Million
Net Operating Cash Flow

CEO's Review of Operations

DEAR FELLOW SHAREHOLDERS,

2018 marks another consecutive year of declining revenue for offshore marine contractors despite the stabilisation of crude oil prices and uptick in number of projects sanctioned. This is primarily due to the time lag between Final Investment Decisions ("**FID**") and the execution of offshore exploration & production ("**E&P**") and construction. The increasing macro-economic volatility and persistent vessel oversupply have also further hampered recovery in the sector.

Nevertheless, we are hopeful that projects sanctioned in the past two years will materialise and accelerate as we move into 2019 and beyond. Already, we are seeing offshore construction activities beginning to eventuate in key regions such as the Middle East and Latin America.

Against this backdrop, POSH reported a 56% year-on-year ("**YoY**") increase in revenue for FY2018. Net loss attributable to shareholders ("**NLAT**") more than halved to US$98.3 million YoY, notwithstanding non-cash vessel impairment of US$49.5 million, which are reflective of the prevailing challenges in our industry.

Operationally, we continued to set ourselves apart in 2018 through continued emphasis on service and safety excellence across projects. We also executed on our strategy to capture select growth opportunities, making successful inroads into the subsea and offshore renewables space, while remaining disciplined in managing our costs.

Sustaining our track record of excellence

In 2018, semi-submersible accommodation vessels ("**SSAVs**") POSH Xanadu and POSH Arcadia delivered stellar performance for their respective charters supporting the Chevron Big Foot Tension Leg Platform ("**TLP**") and Shell Prelude Floating Liquefied Natural Gas ("**FLNG**") facility. Both vessels achieved zero Lost Time Injury ("**LTI**") and near 100% gangway uptime in spite of challenging conditions at sea and the projects' technical complexities. In the same year, POSH Xanadu was also awarded an eight-month contract with Petrobras, with an extension option for additional eight months.

Besides the strong performance by our SSAVs, we managed to secure noticeably healthier charter rates for our four Light Construction Vessels ("**LCVs**") and three Multi-Purpose Support Vessels ("**MPSVs**") in the Offshore Accommodation ("**OA**") fleet. The secured charters include jobs in the walk-to-work ("**W2W**") sector to support offshore maintenance work – a validation of our strategy to focus on maintenance-related requirements. Specifically in 4Q2018, we saw utilisation for these seven vessels reach 90%.

In the Middle East, POSH Saudi deployed 13 vessels on long-term charters for a National Oil Company. This included 12 Offshore Supply Vessels ("**OSV**") and 1 OA vessel. I am proud to share that we have achieved 97% utilisation for these vessels.

POSH also made encouraging progress in our new businesses, as we strive to move up the value chain and into new growth areas. Within six months of incorporation, POSH Subsea won its maiden contract to support Subsea Umbilicals, Risers & Flowlines ("**SURF**") operations. Moving forward, we have invested in a Saturation ("**SAT**") Dive System which meets the latest International Marine Contractors Association ("**IMCA**") and Oil and Gas Producers ("**OGP**")-468 standards for integration on one of our MPSVs. This will enable POSH Subsea to undertake a wider scope of subsea operations.

Similarly, shortly after its launch, POSH Kerry Renewables – a joint venture with Kerry TJ Logistics dedicated to serving the offshore renewables sector in Taiwan – won the first of several contracts during the construction phases of offshore wind. With this experience under our belt, we are now better placed to fulfil the increasing requirements that will be issued as many of these wind farms enter into the commissioning and operations phases.

People underpin our winning strategy

The ability to maintain our operational excellence ultimately lies in the hands of our people. This is why we continued to invest in training opportunities for POSH employees. In 2018, we ramped up our rigorous training calendar to provide our people exposure to new opportunities and learnings and ensure that each person upgrades their skills to be more effective.

We also started a dedicated training program to groom a pool of integrated ratings who can undertake both deck and engine operations. This initiative enhances our manpower productivity and reduces our operating costs.

Foundations for the future

Our relentless pursuit for operational and service excellence over the years has made us the partner of choice for many clients. We will continue to leverage our core competency and established reputation as we deepen our footprint in new growth sectors and become an even more integrated offshore marine services provider.

In 2019, we will also increase our local presence in key markets such as Asia, Africa and the Middle East in order to be closer to our clients. This will also reduce exposure to intermediary risks and further safeguard your interests as our shareholders.

Even as we face several macro-economic and geo-political uncertainties in the year ahead, I am confident that our differentiated business proposition will see POSH navigate prevailing challenges. My team and I are fully committed to you, our shareholders, in steering the course ahead. With strong hands at the helm, and your enduring support, we are hopeful to ride out these challenges and propel POSH forward.

Chief Executive Officer
Captain Gerald Seow

Operations & Financial Review

Strong revenue growth; financial performance reflected market conditions

For the financial year ended 31 December 2018 ("**FY2018**"), POSH reported a 56% year-on-year ("**YoY**") increase in revenue to US$299.4 million on higher contribution across all four main business segments, especially from the offshore accommodation division. This in turn enabled POSH to record a gross profit of US$33.0 million for the year, compared to a gross loss of US$13.4 million from the previous financial year.

The Group's share of results from joint ventures registered a loss of US$8.6 million for FY2018, compared to a profit of US$2.4 million for FY2017. This was mainly due to lower contribution from POSH Terasea, partially offset by the lower impairment of its vessels of US$6.7 million compared to US$15.5 million for the previous financial year.

Amid continued challenging conditions across the industry, the Group booked non-cash impairments of US$49.5 million on vessels. The amount of impairment was significantly reduced from the US$165.4 million of non-cash impairments made on goodwill (US$57.1 million) and vessels (US$108.3 million) for FY2017.

Correspondingly, the Group reduced its net loss attributable to shareholders ("**NLAT**") by 57% to US$98.3 million, from U$230.3 million in the previous corresponding period. Excluding the impact from the impairments and loss on asset disposals, core NLAT would have been US$48.2 million.

POSH generated positive operating cash flows of US$27.5 million for FY2018. Finance costs increased by 28% to US$29.2 million (FY17: US$22.8 million) mainly due to higher loan balances and interest rates, and the Group's net current liabilities of US$200.6 million mainly arose from the utilisation of short term bank borrowings. Net gearing stood at 2.1 times as at the end of December 2018.

Net asset value was US$363.9 million and fixed assets decreased by US$107.3 million primarily on the impairment taken and depreciation expenses for the Group's vessels.

Operational Review:

Offshore Supply Vessels ("OSV"):
The OSV segment improved revenue and utilisation YoY for FY2018, even as this sector of the industry remains the most depressed. Revenue grew 23% to US$91.9 million and utilisation improved to 72% from 64% in the previous year. Correspondingly, the segment narrowed gross loss to US$9.4 million from US$11.1 million for FY2017.

The improvement in the OSV segment is primarily due to the contribution of our 12 OSVs on long-term charter to a National Oil Company in the Middle East. During the year, all 12 vessels achieved 100% utilisation, demonstrating our strong operational performance and service reliability.

Since oversupply in the OSV segment is expected to sustain over the medium term, we capitalised on opportunities to re-deploy suitable OSVs to higher demand sectors. We successfully converted and repurposed one OSV to an accommodation walk-to-work

Operations & Financial Review

support vessel, and another for Remote Operating Vehicle ("**ROV**") operations support. As a result, both vessels were awarded more lucrative and longer period charters.

We also divested two six-year-old 8,000 BHP Anchor Handling Towing and Supply ("**AHTS**") vessels for US$13.0 million.

Offshore Accommodation ("OA"): The OA segment remained a bright spot for the Company, putting in a strong performance for FY2018. Revenue more than doubled to US$166.9 million from US$81.8 million the previous year. This was mainly due to the contribution from its two class-leading semi-submersible accommodation vessels ("**SSAVs**") – POSH Arcadia and POSH Xanadu – which were deployed to support the hook-up and commissioning campaigns of the Shell Prelude Floating Liquefied Natural Gas ("**FLNG**") facility and Chevron Big Foot Tension Leg Platform ("**TLP**") respectively.

POSH Arcadia and POSH Xanadu completed their charters with near 100% gangway uptime and zero Lost Time Injury. The project teams received commendations from clients for their seamless coordination and consistent operational and safety standards.

Immediately after the completion of the Chevron Big Foot TLP campaign, POSH Xanadu underwent a short refurbishment in a nearby port, and mobilised to the Campos Basin in Brazil to support production activities for Petrobras. She will be deployed in offshore Brazil for eight to 16 months. This is the second charter for POSH Xanadu with Petrobras, after the initial two-year Brazilian campaign which had commenced in 2015.

Charter rates and utilisation for OA's monohull fleet firmed up over the last few months of FY2018. Specifically in 4Q2018, the seven monohull OA vessels achieved 90% utilisation. These accommodation and walk-to-work charters are supporting both offshore topside maintenance as well as construction work for new oil field development.

During the year, we retrofitted a Saturation ("**SAT**") and Air Dive System aboard one of our accommodation barge, and successfully converted her to a Dive Support Vessel ("**DSV**") for Subsea Umbilicals, Risers & Flowlines ("**SURF**") operations. Concurrently, Posh Subsea was awarded its maiden SURF contract by a major offshore contractor in South Asia.

Transportation & Installation ("T&I"):
The T&I segment's revenue grew by 26% to US$17.7 million (FY2017: US$14.0 million) on higher vessel utilisation of 62% (FY2017: 40%). Correspondingly, the division booked gross profit at US$0.6 million compared to gross loss of US$0.4 million a year ago.

In the deepwater space, POSH Terasea successfully executed two long-distance ocean towage contracts for Petrobras' P-75 and P-77 Floating Production Storage and Offloading ("**FPSO**") from Dalian, China to Rio Grande, Brazil. Having successfully completed the T&I of the world's first FLNG, Petronas FLNG Satu in 2016, POSH was awarded the T&I contract of Petronas' second FLNG Dua. This is the second consecutive FLNG T&I contract we have secured to support Petronas, and we are excited to be executing it in 2020.

Anchor Handling Tug ("**AHT**") POSH Pahlawan was deployed to support the first of several contracts won by the Group's POSH Kerry Renewables ("**POSH Kerry**") joint venture. The vessel assisted an international geotechnical services operator in the site survey and preparatory work prior to windfarm construction.

Besides making inroads into offshore renewables, the team secured a contract from a major Chinese offshore engineering firm for another spread of 10 vessels for their pipeline replacement project in the Middle East to be executed in FY2019.

Harbour Services & Emergency Response ("HSER"):
Harbour towage and heavy lift activities were subdued in Singapore due to lower offshore construction and conversion in both local and regional shipyards. The number of ships calling into Singapore also registered a 3% decline. Despite this, our HSER segment registered a 7% increase in revenue to US$23.0 million (FY2017: US$21.4 million) as we were able to secure several long term charters for our harbour tugs overseas, in Sri Lanka, Senegal, Vietnam and Malaysia.

However, gross profit was lower at US$3.3 million for FY2018, compared to US$4.4 million for the previous year, given lower margins for both heavy lift and harbour towage operations. For harbour towage, the reduced margins were mainly contributed by an increase in bunker and charter-in expenses.

We have been successful to secure exclusive contracts with several major heavy lift vessel operators. We are proud to support an international contractor with our crane barge L501, which was a key contributor to complete the expansion project for the Thilawa Port in Myanmar.

Capitalising on opportunities; providing value solutions

Whilst the outlook remains challenging, POSH is committed to seek new opportunities for expansion and growth. In 2018, we made good headway into the subsea and offshore renewables segments. With the momentum for wind farm developments in Taiwan entering into full swing and activity levels increasing for subsea tie-backs and greenfield development, the two new business segments bring exciting prospects to POSH.

We will continue to identify and repurpose suitable vessels for work in higher demand sectors including subsea, offshore renewables and offshore accommodation. In this regard, we have planned for investments in specialised equipment, such as the SAT Dive System and walk-to-work gangway, that will be retrofitted on select vessels. This approach minimises capital outlay even as we grow our revenue streams.

Our efforts on various fronts will enlarge our solutions portfolio and position us as a truly integrated solutions provider to our clients. In the coming year, we will actively expand our local presence in key oil and gas bright spots – Africa, Asia and Middle East. With a stronger local network, we are confident of forging stronger client partnerships as we better understand their needs and customise our solutions to their unique requirements.

Our People Our Community

A safety-first culture

POSH has in place an established, holistic approach to Health, Safety, Environment and Quality (HSEQ) across our operations. Our safety vision is embedded in our motto "Excellence through Safety". This vision of Zero Harm is a journey, and initiatives are put in place each year to support our ambition. Our current safety statistics, which are better than industry benchmarks, indicate that these efforts are having an impact.

Performance Indicators (Based on 1 million man hours)	**Actual FY2018**	**2018 Target**
Lost Time Injury Frequency	0.21	<0.5
Injury Rate	0.42	<1.0

Our dedicated HSE team implements regular initiatives to enforce a strong safety culture in a growing family of seafarers and shore based staff. Not less than four safety campaigns are carried out annually targeting specific areas to improve our safety culture, and culminates in the Annual POSH Safety Day, where all staff commit to the Safety Pledge to uphold the vision of Zero Harm and the Company's 10 Golden Rules of Safety.

We are pleased that clients recognise our high standards of service and safety quality. During the year, both POSH Arcadia and POSH Xanadu completed their respective charters for the Shell Prelude and Chevron Big Foot projects with zero Lost Time Injury ("**LTI**") and near 100% gangway uptime. Collectively, both vessels completed close to 2,000 incident-free helicopter operations and the project teams received strong commendations from our clients. In particular, POSH Arcadia was named HSE Contractor of the Month by the Shell Prelude Site Safety Leadership team in July 2018. As part of the recognition, Shell donated A$15,000 to the cancer council in POSH's name and POSH donated a matching sum to the Wirrpanda Foundation and Clontarf Foundation. Both foundations aim to uplift the quality of life for aboriginal and Torres Straits Islanders through support for education and life skills training.

Growing our people

To ensure that our crew have the right competencies and skillsets to fulfil the job requirements, we continue to implement a comprehensive training curriculum in 2018:

- Select candidates from our POSH Cadetship Training Programme are offered internships with our ship management functions during the periods that they are not working aboard the ships. The internships aim to familiarise them with shore processes, and prepare them for eventual transition to onshore jobs.
- All senior officers undergo a rigorous Command Assessment Programme before being approved for promotion.
- To keep our crew up-to-date with the evolving requirements of our clients and operating environment, our vessels are equipped with computer based training programs onboard. This is an effective mode of enhancing and upgrading the skills and knowledge of our marine officers and crew during their stint of work onboard.
- Seastaff seminars are held regularly in Manila and Jakarta where further technical training is provided. Training content also places emphasis on company culture and values. Prior to joining ship, our crew attend refresher courses on personal safety as well as briefings on operational matters.

As part of the larger Kuok (Singapore) Limited ("**KSL**") Group, we are able to tap on the extensive training platforms across the KSL Group for the development of our shore staff:

- Dedicated LinkedIn Learning accounts are set up for junior to mid-level talents. Users have access to e-modules that are relevant to their work on the go, making the learning process easy and convenient.
- The in-house training programme for middle managers aims to equip people managers with the essential skillsets to lead their teams effectively. We work closely with business schools including INSEAD and Singapore Management University ("**SMU**") to identify suitable executive programmes for members of Senior Management.

- In 2018, we organised two Learning Festivals which saw various business units across the KSL Group showcasing their business portfolio. The festivals allowed people to gain a greater understanding of the businesses within the KSL Group and facilitated conversations on the sharing of best practices.
- With the theme "Stepping Ahead to 2030", the KSL Group Leadership Forum explored how digitalisation and automation could disrupt the way we work and run our business. During the breakout sessions, our leaders also engaged in discussions on how we could better deploy technology to capture the next wave of growth for our businesses.

Building a team that cares

At POSH, we believe that every employee should feel a deep sense of belonging not just to the company but also the broader community.

In November 2018, we held our annual Charity Walk at Gardens by the Bay East in conjunction with our sister company Pacific Carriers Limited ("**PCL**"). The event brought together employees and their family members, as well as friends from our charity partners – SUN-DAC and CARE SG. Themed "Walk and Play for Charity 2018", the event aimed to create a platform for all participants to interact meaningfully and have fun together.

More than S$150,000 was raised in support of SUN-DAC and Care SG, which serves clients between the ages of 16 and 60 years old with varying intellectual, physical, mental, sensory and learning disabilities, and supports youth at-risk respectively.

As with our tradition over the last 10 years, POSH handed out bursaries to deserving children of our junior seafaring colleagues in Manila and Jakarta to assist them with expenses and fees for attending primary, secondary and university education.

Board of Directors

MR. KUOK KHOON EAN
Chairman and Non-Executive Director

Mr. Kuok Khoon Ean, 63, is the Chairman of Kuok (Singapore) Limited ("**KSL**"), a Director of Kerry Group Limited and Kerry Holdings Limited. He is a Non-Executive Director of Wilmar International Limited, a company listed on the Singapore Exchange Limited ("**SGX**").

Mr. Kuok holds a Bachelor of Economics degree from Nottingham University, United Kingdom. Mr. Kuok was appointed Chairman and Non-Executive Director of the Company on 18 July 2013 and was last re-elected on 27 April 2016.

MR. SEOW KANG HOE, GERALD
Chief Executive Officer and Executive Director

Mr. Gerald Seow, 65, has more than 40 years of experience in the shipping industry, including 15 years of sea-going experience and more than 20 years of senior management experience.

He began his career at Neptune Orient Lines Limited ("**NOL**") in 1971 and remained with the NOL group until 1996. From 1986 to 1996, he came ashore and served in various senior management positions within the NOL group in Singapore and the United States of America.

In 1996, he joined Pacific Carriers Limited ("**PCL**") and was instrumental in developing the liner shipping business, the offshore marine services business (under our Company since 2006) and the shipbuilding business for PCL and KSL.

Mr. Seow holds a Certificate of Competency as Master of a Foreign-Going Ship from the Ministry of Transport of New Zealand and a Degree of Master of Science in Shipping, Trade and Finance from The City University of London. He was appointed as an Executive Director of the Company on 7 March 2006 and was last re-elected on 27 April 2018.

MR. WU LONG PENG
Non-Executive Director

Mr. Wu Long Peng, 65, was formerly an Executive Director of Kuok (Singapore) Limited until his retirement in December 2017 and has more than 30 years of experience in finance and corporate affairs over various industries. He is a Non-Independent Non-Executive Director of Malaysian Bulk Carriers Berhad (a company listed on Bursa Malaysia) and Gamma Communications PLC (a company listed on AIM in the United Kingdom). He is also an Independent Non-Executive Director of Mapletree Commercial Trust Management Ltd.

Mr. Wu is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom and an Associate Member of the Institute of Singapore Chartered Accountants. He was first appointed as a Director of the Company on 28 January 2008 and was last re-elected on 27 April 2017.

DATO' JUDE PHILOMEN BENNY
Lead Independent Director

Mr. Jude Benny, 61, is currently a consultant at Joseph Tan Jude Benny LLP and has been a lawyer in private practice with the same firm for more than 30 years since 1988. He was a Director of Singapore Maritime Foundation from 2004 to 2011 and also a Director of the Maritime & Port Authority of Singapore from 2006 to 2015.

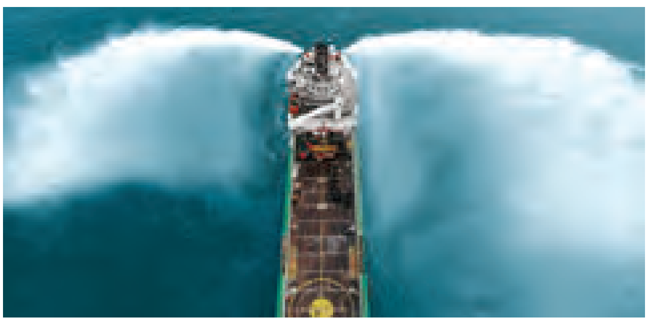
Mr. Benny holds a Bachelor of Laws (Honours) from the London University. In recognition of his public service in Singapore, he was conferred the Public Service Medal in 2013. He was appointed as a Director of the Company on 1 September 2013 and was last re-elected on 27 April 2018.

MR. MA KAH WOH
Independent Director

Mr. Ma Kah Woh, 71, was a senior partner of KPMG Singapore, where he was in charge of the Audit & Risk Advisory Practice and Risk Management function for many years until his retirement in September 2003.

Mr. Ma currently sits on the Boards of Mapletree Investment Pte Ltd and Mapletree North Asia Commercial Trust Management Ltd. (the Manager of Mapletree North Asia Commercial Trust, a real estate investment trust listed on the SGX), and StarHub Ltd (a company listed on the SGX). He also sits on the Advisory Board of The Asian Civilisations Museum.

Mr. Ma is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Member of the Institute of Singapore Chartered Accountants. He was appointed as a Director of the Company on 1 September 2013 and was last re-elected on 27 April 2017.



MR. WEE JOO YEOW
Independent Director

Mr. Wee Joo Yeow, 71, was the Managing Director and Head of Corporate Banking in Singapore of United Overseas Bank ("**UOB**"). Mr. Wee has more than 30 years of corporate banking experience. He joined UOB in 2002. Prior to that, Mr. Wee was with Overseas Union Bank ("**OUB**") from 1981 to 2001 and was last appointed as the Executive Vice President and Head of Marketing, Sales, Credit and Origination in Corporate Banking of OUB before its merger into UOB.

Mr. Wee is also currently an Independent Director of Oversea-Chinese Banking Corporation Limited, Frasers Centrepoint Limited and Great Eastern Holdings Limited (each a company listed on the SGX), and Mapletree Industrial Trust Management Ltd (the manager of Mapletree Industrial Trust, a real estate investment trust listed on the SGX).

Mr. Wee graduated from the University of Singapore with a Bachelor of Business Administration (Honours) degree and New York University with a Master of Business Administration. He was first appointed as a Director of the Company on 19 December 2013 and was last re-elected on 27 April 2017.

DATO' AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID
Independent Director

Mr. Ahmad Sufian, 69, has more than 40 years of experience in the shipping industry. He was the Chairman of Global Maritime Ventures from 1996 to 2003, Country Manager of American President Lines from 1989 to 1995, Director/General Manager of Perbadanan Nasional Shipping Line from 1982 to 1989 and Manager of Malaysian International Shipping Corporation from 1977 to 1982.

He is currently also the Independent Non-Executive Chairman of Malaysian Bulk Carriers Berhad, GD Express Carrier Berhad and an Independent Non-Executive Director of PPB Group Berhad, each of which is listed on Bursa Malaysia.

Mr. Sufian obtained a Certificate of Competency as Master of a Foreign-Going Ship in United Kingdom in 1975 and attended the Advanced Management Program at Harvard Business School in 1993. He is a Fellow of the Chartered Institute of Logistics and Transport. He was appointed as a Director of the Company on 9 January 2009 and was last re-elected on 27 April 2018.

MR. IVAN REPLUMAZ
Independent Director

Mr. Ivan Replumaz, 67, has more than 40 years of management and directorship experience across oil and gas, offshore services and other industrial sectors.

Mr. Replumaz began his career with the Bouygues Group in 1974. He was named Senior Vice President at Bouygues Offshore in 1985 and became its Chief Executive Officer ("**CEO**") in 1989 and Chairman in 1995, overseeing its listing on the New York Stock Exchange and Paris Stock Exchange in 1996. He took on a simultaneous role as CEO of Bouygues Bâtiment in 1998 and was appointed to the Board of Directors at Bouygues SA, the holding company of the Group, in the same year.

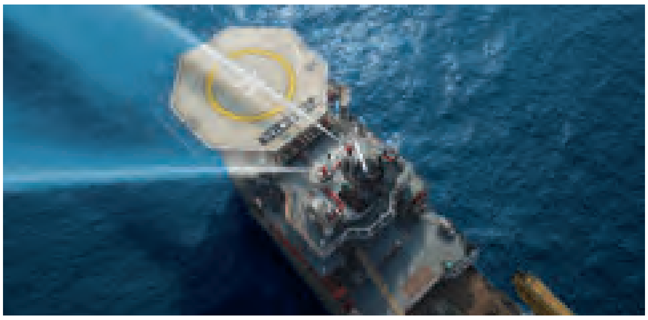
In 2002, Mr. Replumaz joined Technip and became CEO of the Offshore Branch, taking charge of its subsea and offshore activities worldwide. He was Managing Director of SBM Offshore Malaysia from 2006 to 2015.

Mr. Replumaz graduated from École Polytechnique and École Nationale des Ponts et Chaussées, Paris (now "École des Ponts Paris Tech"). He was appointed as a Director of the Company on 1 October 2017 and was last re-elected on 27 April 2018.

MS. YONG HSIN YUE
Non-Executive, Alternate Director to Mr. Wu Long Peng

Ms. Yong Hsin Yue, 47, is the Managing Director of Kuok (Singapore) Limited ("**KSL**"). Prior to joining KSL, Ms. Yong was the General Manager of Special Projects focusing on business development for Wilmar International Limited, an agribusiness listed on the SGX. She started her career in investment banking where she spent 19 years working at Goldman Sachs in Singapore and in London. Her last role was the head of the Investment Banking Division for South-East Asia with responsibilities for the operations in Singapore, Malaysia, Thailand, Indonesia, Philippines and Vietnam.

Ms. Yong holds a MA in Politics, Philosophy and Economics from Worcester College, Oxford and an MBA from INSEAD. Ms. Yong was appointed as an Alternate Director to Mr. Wu Long Peng effective 29 January 2019.



Senior Management

MR. LEE KENG LIN
Deputy Chief Executive Officer

Mr. Lee Keng Lin was promoted to Deputy Chief Executive Officer on 1 January 2017 as part of the Group's ongoing succession planning, having served as Chief Operating Officer from 2014 to 2016. He is responsible for overseeing day-to-day operations for the Group and works closely with the Chief Executive Officer to grow the Group's business and drive performance measurement in all operational aspects.

Mr. Lee has more than 10 years of experience in the offshore marine industry and has been with the Group since 2007. He was part of the team that led the acquisition of PSA Marine's offshore business in 2007 and has been instrumental in the development and operations of various joint ventures and new business divisions. Prior to this, he was employed by PSA International as its Corporate and Business Development Manager, where he was responsible for business development and charters of harbour tugs and offshore support vessels.

Mr. Lee graduated with a First Class Honours in Engineering from the National University of Singapore and was on the Vice Chancellor's List. He completed the Advanced Management Programme at INSEAD and is also a CFA Charterholder.

MR. EDWARD CHIU
Chief Financial Officer

Mr. Edward Chiu is the Chief Financial Officer responsible for overseeing the Group's finance functions, including corporate finance, treasury, risk management, capital management and investor relations.

Mr. Chiu has over 20 years of leadership experience, along with a diverse finance and commercial background. He has previously worked for global audit firms – KPMG and PwC, privately owned enterprises, SGX mainboard listed companies, and private equity controlled companies across Singapore, Hong Kong, Malaysia, Netherlands and United Kingdom. Edward holds a Master's Degree in Finance from the London School of Economics and is also a member of the Institute of Singapore Chartered Accountants and a Fellow of the Chartered Association of Certified Accountants.

MR. CHAI ULVA
Divisional Director
Offshore Accommodation

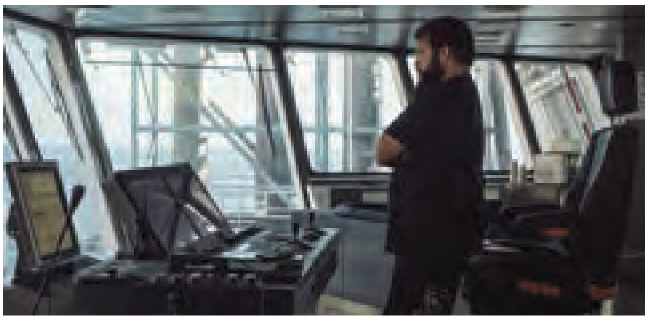
Mr. Chai Ulva is the Divisional Director of Offshore Accommodation and has been instrumental in the development and expansion of the business.

Mr. Chai has more than 15 years of experience in the offshore marine industry. He was a Manager with PSA Marine Pte Ltd from 2000 to 2006, handling business development and overseas charters of harbour tugs, and served as a Director in PSA Marine's joint venture company in Fuzhou, China. From 2006 to 2007, Mr. Chai was an Assistant General Manager in PSA Marine's offshore business. Since our acquisition of the business in 2007, Mr. Chai has served the Group as General Manager of POSH Maritime Pte Ltd, and Divisional Director of various business units within POSH Semco Pte Ltd including Offshore Construction Support, Transportation & Installation (Shallow Water) and Offshore Accommodation.

MR. SIM HEE PING
Director
Integrated Fleet Management

Mr. Sim Hee Ping heads our Integrated Fleet Management Division. He is responsible for the overall technical management, safety and training of the Group's offshore crew.

Mr. Sim has more than 35 years of experience in the shipping industry. Prior to joining the Group in 2009, he held various positions with Neptune Orient Lines Limited ("**NOL**") from 1977 to 2006. He started out as a cadet engineer in 1977 and worked his way up to become a chief engineer in 1987, responsible for equipment and machinery on board NOL ships. Between 1987 and 1989, he was seconded to Jurong Shipyard as a Ship Repair Manager. He was also a technical superintendent from 1989 to 1998 and a Technical Director from 1998 to 2006, in charge of managing NOL vessels. From 2006 to 2008, he was seconded to Neptune Shipmanagement Services Pte Ltd, the ship management arm of NOL, as Managing Director.



MR. NG ENG KHIN
Divisional Director
Transportation & Installation (Deepwater)

Mr. Ng Eng Khin is the President of POSH Terasea Offshore Pte Ltd, the Group's specialist offshore service contractor joint venture. He has held the position since POSH Terasea's formation and oversaw the subsequent injection of the Group's entire Transportation & Installation (Deepwater) business into the joint venture.

Mr. Ng has more than 35 years of experience in the offshore marine industry. He was involved in PSA Marine's offshore business prior to our acquisition of the business in 2007. Mr. Ng was a Project Superintendent in charge of design, project operation and execution from 1977 to 1986 and a Senior Manager from 1985 to 2001. He was also a General Manager from 2001 to 2007 specialising in project management, operation and execution of complex transportation and installation projects, as well as being responsible for sales, marketing and development. Mr. Ng has been instrumental in the development of the Group's Transportation & Installation (Deepwater) business.

MR. KELVIN TEO
Director
Business Planning and Projects

Mr. Kelvin Teo is the Director of Business Planning and Projects and is responsible for exploring opportunities in new business segments and setting up of our overseas offices. Concurrently, he also heads the Corporate Affairs and Business Development team and POSH Kerry Renewables, a joint venture with Kerry TJ Logistics, dedicated to serving the offshore renewables sector in Taiwan.

Mr. Teo has more than 10 years of experience in the offshore marine industry. Under PSA Corporation's Management Associate Programme, he was rotated to various business segments in commercial, logistics and offshore marine from 2002 to 2006. He joined POSH in 2006 as Deputy Marketing Manager, and his responsibilities included exploring business opportunities in new markets and management of the chartering team. Mr. Teo was appointed Divisional Director of the Offshore Supply Vessels ("**OSV**") Division in 2016. He directed the division and oversaw the growth of the OSV fleet at POSH.

Mr. Teo holds a Master's Degree at Yale University and a BSc in Economics (1st Class Honours) at London School of Economics.

MR. KURUSH PHIROZE CONTRACTOR
Divisional Director
Subsea

Mr. Kurush Contractor is the Divisional Director of POSH's Subsea arm and has been instrumental in the establishment and expansion of the business within POSH.

Prior to his appointment at POSH, Mr. Contractor was the Chief Executive Officer ("**CEO**") and Managing Director of Kreuz Group since 2008. As a founding member of The Kreuz Group, he was vital in driving the company's growth as an integrated subsea service provider. Mr. Contractor also oversaw the expansion of several key markets in Middle East and Asia and was pivotal in the listing of Kreuz Subsea on the SGX Catalyst board in 2010 before being transferred to the SGX Main board in 2012. Prior to his appointment at Kreuz Subsea, Mr. Contractor also served with Global Industries as President and Director for India and Middle East region.

Being in the offshore industry for more than 35 years, Mr. Contractor has strong hands-on experience, having worked in offshore oil fields as a commercial deep-sea diver and in other supervisory positions prior to taking up managerial positions ashore. Mr. Contractor also holds a Bachelor of Science Degree from the University of Bombay.

Business Divisions

Offshore Supply Vessels

Our Offshore Supply Vessels (“**OSV**”) division has one of the youngest fleets of mid-water and deepwater Anchor Handling Tug Supply (“**AHTS**”) vessels and Platform Supply Vessels (“**PSV**”). Besides undertaking towing and anchor handling of drilling rigs, these multifunctional vessels also provide logistical support during the exploration, field development, construction and production phases of the oil and gas life cycle.

Transportation & Installation

Our Transportation & Installation (“**T&I**”) division supports marine contractors worldwide in the construction and maintenance of oilfield infrastructure and pipelines.

In shallow waters, the division operates a fleet of ocean towing tugs and Anchor Handling Tugs (“**AHT**”) of up to 8,000 BHP, which are primarily

Offshore Accommodation

The Offshore Accommodation (“**OA**”) division operates a fleet of vessels that deliver a wide range of accommodation and “walk-to-work” solutions for large numbers of offshore professionals involved in the construction and maintenance of offshore oil field structures and platforms.

Harbour Services & Emergency Response

Our Harbour Services (“**HS**”) department has been operating for over a decade. Together with our joint venture Pacific Workboats, we own, operate and manage a fleet of harbour tugs and heavy lift crane barges, which actively support harbour towage operators and provide heavy lift services to shipyards. In November 2013, we were granted a public towing licence by the Maritime

The vessels in our fleet are equipped with advanced Dynamic Positioning ("**DP**") technology, which enables safe and efficient operations in close quarters. These new generation vessels are also designed with fuel-efficient diesel electric propulsion and possess Clean Design and Green Passport notation which reduce and limit the vessels' combustion machinery emissions and accidental sea pollution. Our OSV division operates:

- AHTS of up to 200 tonne bollard pull providing multi-role services during drilling such as towing and positioning of drilling rigs, as well as transporting drilling materials and other equipment
- PSVs that transport drilling materials and supplies to drilling rigs and offshore production platforms as well as pipes and other materials for the construction of marine structures or pipelines

With our young and modern fleet, we are committed to serving our global network of customers, including super majors and national oil and gas companies. We continue to uphold our proven international track record, operating across Asia Pacific, Africa, Middle East and Latin America.

engaged to support pipelay and platform construction work. In addition, our shallow water T&I department operates submersible barges (up to 30,500 dwt) for float-over or for launching operations of large marine structures and ballastable flat top barges ranging from 250 to 330 feet, as well as tugs for transportation of construction materials and subsea pipes.

Meanwhile, our deepwater operations are managed by our specialist offshore service contractor joint venture, POSH Terasea, which operates the largest deepwater AHT fleet globally comprising tugs of 150 to 200 tonne bollard pull each. These ocean-going tugs are designed with high bollard pull and large fuel tanks that enable them to perform large tows, such as for Floating Production Storage and Offloading ("**FPSO**") and Floating Liquefied Natural Gas ("**FLNG**") vessels across long distances economically, without multiple refuelling stops. Leveraging our full suite of vessels, POSH is known as a leading operator in the deepwater T&I space, having successfully completed many demanding ocean towage projects over the past decade.

We are focused on providing a variety of high-specification offshore accommodation vessels that cater to the different needs of our customers. Our deepwater OA fleet comprises two of the world's largest comfort-class DP3 semi-submersible accommodation platforms. These vessels boast sophisticated machinery redundancy and platform stability, offering comfortable and safe living, first class crew welfare amenities and "walk-to-work" capability. They are also capable of operating in harsh weather conditions.

Our shallow water OA fleet consists of four units of our unique DP2 238-pax diesel electric "E-class" accommodation vessels and three units of conventionally moored vessels. In addition, we operate three units of Multi-Purpose Support Vessels ("**MPSV**") that are capable of supporting subsea work.

and Port Authority of Singapore to provide towage services to vessels within the limits of and the approaches to the port of Singapore.

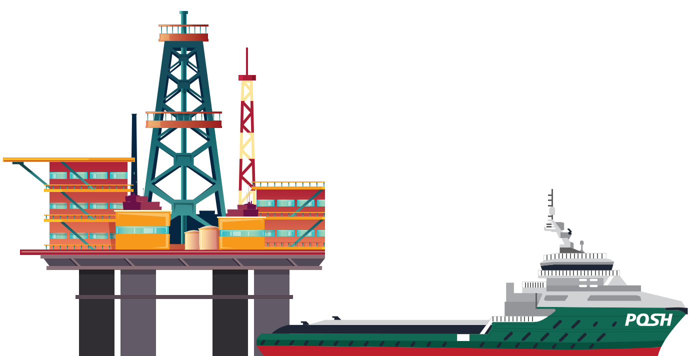
Our Emergency Response ("**ER**") department provides worldwide emergency assistance to vessels that require distress support after encountering situations such as collision, oil spillage, grounding or fire damage. We are one of the two main offshore support vessel operators in the world to offer such emergency response services, which include salvage, wreck removal, emergency rescue and oil spill response services.

Financial Highlights

Financial Performance (US$'000)	FY2014	FY2015	FY2016	FY2017	**FY2018**
Revenue	234,037	280,820	183,100	192,208	**299,400**
Gross profit / (loss)	57,204	58,026	4,985	(13,414)	**32,993**
Net profit / (loss) after tax[1]	53,243	(130,959)	(371,448)	(230,285)	**(98,326)**
EBITDA	108,245	90,393	23,886	26,505	**53,774**
EBITDA margin	46.3%	32.2%	13.0%	13.8%	**18.0%**

Financial Position (US$'000)	FY2014	FY2015	FY2016	FY2017	**FY2018**
Total shareholders' equity[1]	1,213,764	1,061,043	688,332	460,183	**363,841**
Total liabilities	657,571	672,567	817,327	953,632	**935,436**
Total assets	1,871,335	1,733,610	1,505,590	1,413,751	**1,299,311**
Fixed assets	1,113,689	1,278,147	1,184,927	1,111,975	**1,004,629**
- Vessels in use	793,798	1,020,288	1,070,299	1,079,793	**1,002,685**
- Vessels under construction	318,132	256,221	113,122	31,183	**73**
- Other assets	1,759	1,638	1,506	999	**1,871**
Net current liabilities	(140,632)	(496,192)	(206,767)	(188,360)	**(200,625)**
Net debt	548,332	545,951	693,274	751,837	**752,542**
Net debt / equity	45.2%	51.5%	100.7%	163.4%	**206.8%**

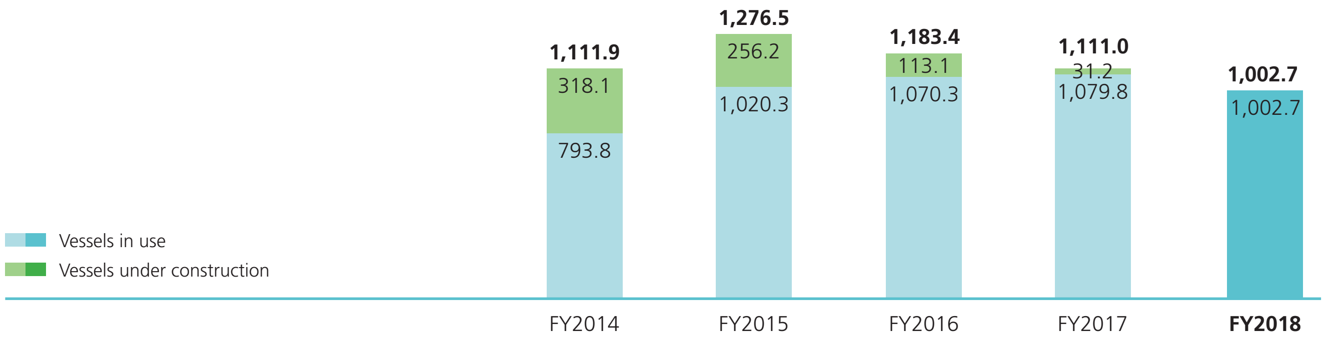
Financial Indicators	FY2014	FY2015	FY2016	FY2017	**FY2018**
Return on shareholders' equity	4.4%	(12.3%)	(54.0%)	(50.0%)	**(27.0%)**
Return on assets	2.8%	(7.6%)	(24.7%)	(16.3%)	**(7.6%)**
Net asset value per share (in US cents)	66.69	58.53	37.98	25.37	**20.07**
Basic earnings per share (in US cents)	3.10	(7.20)	(20.50)	(12.70)	**(5.42)**
Diluted earnings per share (in US cents)	3.10	(7.20)	(20.50)	(12.70)	**(5.42)**



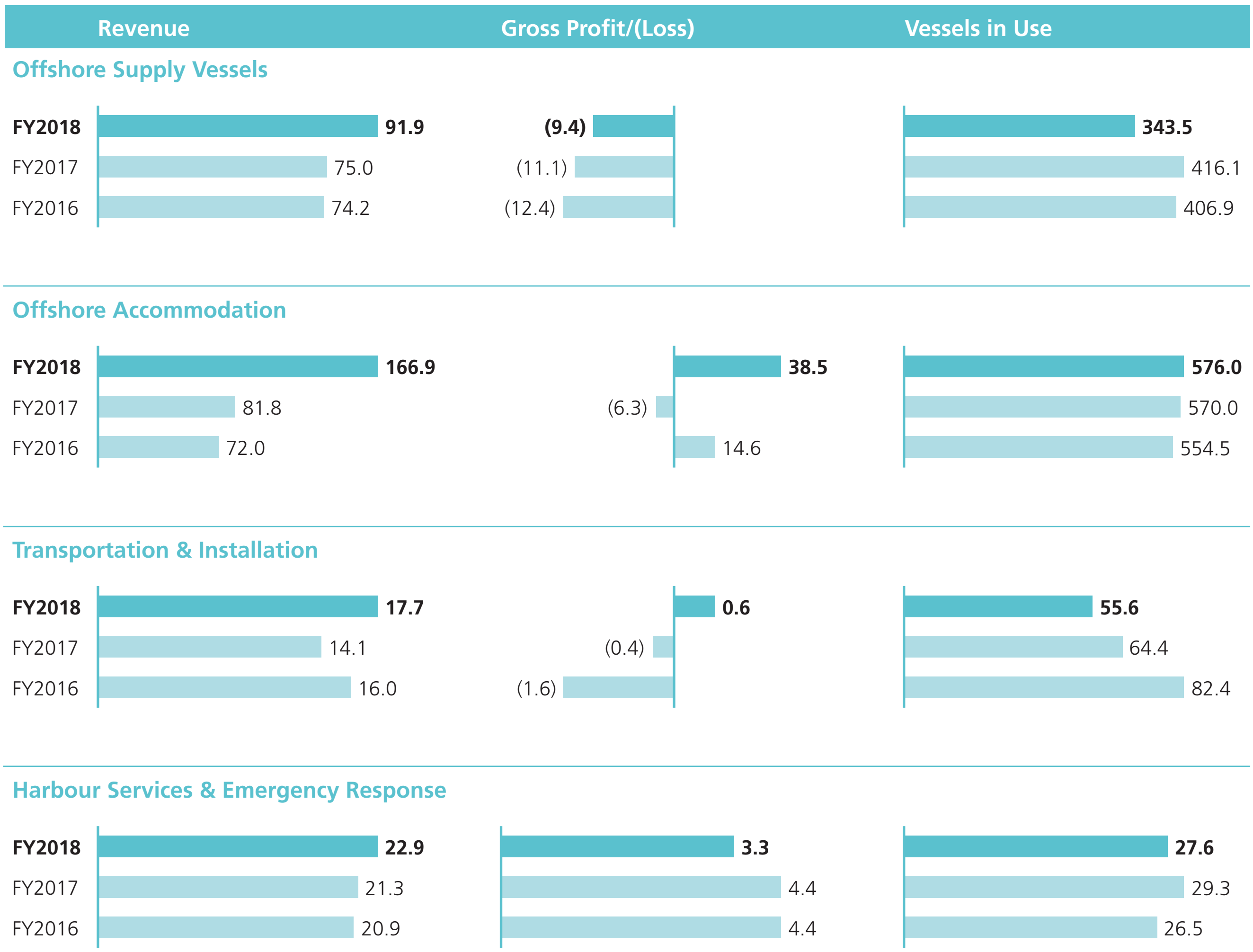
1 Equity attributable to shareholders of the Company

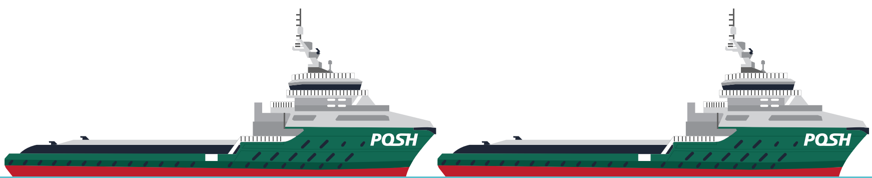
TOTAL VESSELS (US$ MILLION)

	FY2014	FY2015	FY2016	FY2017	**FY2018**
Vessels in use	793.8	1,020.3	1,070.3	1,079.8	**1,002.7**
Vessels under construction	318.1	256.2	113.1	31.2	-
Total	1,111.9	1,276.5	1,183.4	1,111.0	**1,002.7**



SEGMENT RESULTS (US$ MILLION)





Geographical Presence

Global Offices and Operational Footprint

Operational Footprint

Africa

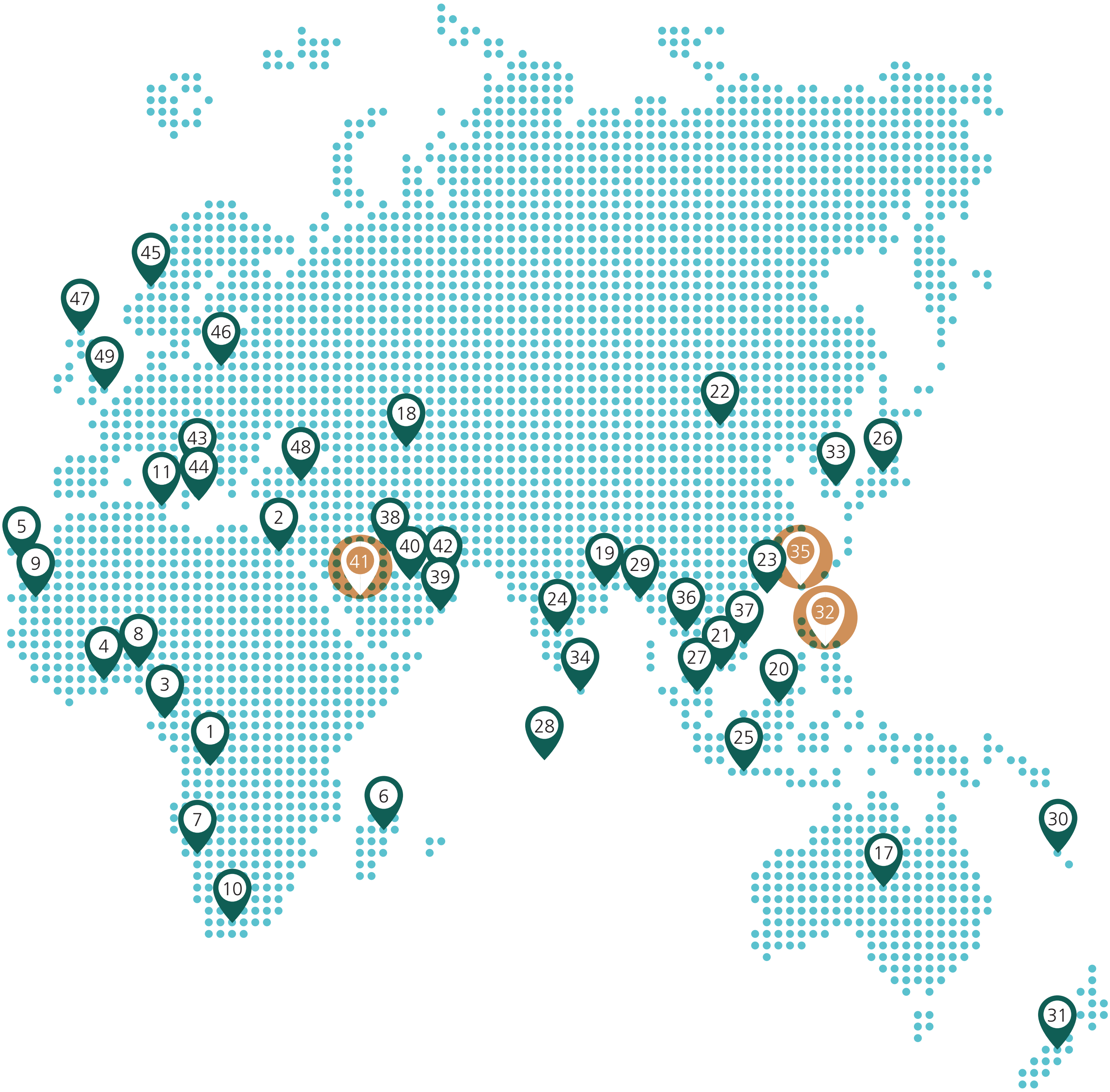
1. Angola
2. Egypt
3. Gabon
4. Ghana
5. Las Palmas
6. Madagascar
7. Namibia
8. Nigeria
9. Senegal
10. South Africa
11. Tunisia

North America

12. Canada
13. Mexico
14. USA

South America

15. Brazil
16. Uruguay



Asia

17. Australia
18. Azerbaijan
19. Bangladesh
20. Brunei
21. Cambodia
22. China
23. Hong Kong
24. India
25. Indonesia
26. Japan
27. Malaysia
28. Maldives
29. Myanmar
30. New Caledonia
31. New Zealand
32. Philippines
33. South Korea
34. Sri Lanka
35. Taiwan
36. Thailand
37. Vietnam

Middle East

38. Kuwait
39. Oman
40. Qatar
41. Saudi Arabia
42. UAE

Europe

43. Italy
44. Malta
45. Norway
46. Poland
47. Scotland
48. Turkey
49. UK

Our Fleet

OFFSHORE SUPPLY VESSELS (AS AT 31 MARCH 2019)

VESSELS OWNED BY THE GROUP

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
POSH Conquest	Anchor Handling/Towing/Supply (AHTS)	16,000	8.29
POSH Constant	Anchor Handling/Towing/Supply (AHTS)	16,000	8.62
POSH Champion	Anchor Handling/Towing/Supply (AHTS)	16,000	8.20
POSH Commander	Anchor Handling/Towing/Supply (AHTS)	16,000	7.85
POSH Concorde	Anchor Handling/Towing/Supply (AHTS)	16,000	6.38
POSH Persistence	Anchor Handling/Towing/Supply (AHTS)	12,240	5.81
POSH Perseverance	Anchor Handling/Towing/Supply (AHTS)	12,240	3.94
POSH Hermosa	Anchor Handling/Towing/Supply (AHTS)	10,800	10.94
POSH Resolve	Anchor Handling/Towing/Supply (AHTS)	8,000	7.57
POSH Radiant	Anchor Handling/Towing/Supply (AHTS)	8,000	4.69
POSH Raptor	Anchor Handling/Towing/Supply (AHTS)	8,000	2.40
POSH Dauntless	Anchor Handling/Towing/Supply (AHTS)	7,000	5.60
POSH Daring	Anchor Handling/Towing/Supply (AHTS)	7,000	5.48
POSH Defender	Anchor Handling/Towing/Supply (AHTS)	7,000	5.28
POSH Springbok	Shallow Draft Anchor Handling/Towing/Supply (AHTS)	5,150	1.53
POSH Steenbok	Shallow Draft Anchor Handling/Towing/Supply (AHTS)	5,150	1.51
POSH Gemsbok	Shallow Draft Anchor Handling/Towing/Supply (AHTS)	5,150	1.44
POSH Okapi	Shallow Draft Anchor Handling/Towing/Supply (AHTS)	5,150	1.42
POSH Oribi	Shallow Draft Anchor Handling/Towing/Supply (AHTS)	5,150	1.33
POSH Impala	Shallow Draft Anchor Handling/Towing/Supply (AHTS)	5,150	1.31
POSH Skua	Platform Supply Vessel (PSV)	4,100 dwt	6.16
POSH Gannet	Platform Supply Vessel (PSV)	4,100 dwt	5.82
POSH Jaeger	Platform Supply Vessel (PSV)	4,100 dwt	2.57
POSH Sincero	Platform Supply Vessel (PSV)	3,300 dwt	8.75
POSH Kittiwake	Platform Supply Vessel (PSV)	3,300 dwt	7.53
POSH Shearwater	Platform Supply Vessel (PSV)	3,200 dwt	5.93
POSH Sandpiper	Platform Supply Vessel (PSV)	3,200 dwt	5.73
POSH Fulmar	Platform Supply Vessel (PSV)	3,200 dwt	5.50
POSH Pelican	Platform Supply Vessel (PSV)	3,200 dwt	5.27
POSH Generoso	Platform Supply Vessel (PSV) with mudplant	2,828 dwt	10.38
POSH Gentil	Platform Supply Vessel (PSV) with mudplant	2,828 dwt	9.16
POSH Gitano	Platform Supply Vessel (PSV) with mudplant	2,750 dwt	8.75
POSH Galante	Platform Supply Vessel (PSV) with mudplant	2,346 dwt	10.35
POSH Mariam	Maintenance, Utility Vessel	3,150	2.24
POSH Houria	Maintenance, Utility Vessel	3,150	2.23
POSH Maysa	Maintenance, Utility Vessel	2,600	2.07
POSH Mai	Maintenance, Utility Vessel	2,600	1.98
TOTAL OFFSHORE SUPPLY VESSELS			**37**

OFFSHORE SUPPLY VESSELS (AS AT 31 MARCH 2019)

VESSELS OWNED BY JOINT VENTURES

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
WINPOSH Regent	Anchor Handling/Towing/Supply (AHTS)	8,000	8.62
WINPOSH Resolve	Anchor Handling/Towing/Supply (AHTS)	8,000	6.61
WINPOSH Ready	Anchor Handling/Towing/Supply (AHTS)	8,000	5.06
WINPOSH Rampart	Anchor Handling/Towing/Supply (AHTS)	8,000	6.90
POSH Honesto	Platform Supply Vessel (PSV)	2,346 dwt	10.61
TOTAL OFFSHORE SUPPLY VESSELS			**5**

OFFSHORE ACCOMMODATION (AS AT 31 MARCH 2019)

VESSELS OWNED BY THE GROUP

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
POSH Xanadu	Semi Submersible Accommodation Vessel (SSAV)	750 pax	4.31
POSH Arcadia	Semi Submersible Accommodation Vessel (SSAV)	750 pax	2.89
POSH Bangka	Accommodation Vessel (AV)	197 pax	20.76
POSH Bawean	Accommodation Vessel (AV)	198 pax	20.76
POSH Endurance	Accommodation Vessel - Light Construction Vessel (LCV)	238 pax	4.22
POSH Endeavour	Accommodation Vessel - Light Construction Vessel (LCV)	238 pax	4.23
POSH Enterprise	Accommodation Vessel - Light Construction Vessel (LCV)	238 pax	3.73
POSH Elegance	Accommodation Vessel - Light Construction Vessel (LCV)	238 pax	2.77
POSH Mallard	Multi-Purpose Support Vessel (MPSV)	108 pax	1.52
POSH Skimmer	Multi-Purpose Support Vessel (MPSV)	64/90 pax	2.12
POSH Pintail	Multi-Purpose Support Vessel (MPSV)	108 pax	0.98
TOTAL OFFSHORE ACCOMMODATION VESSELS			**11**

OFFSHORE ACCOMMODATION (AS AT 31 MARCH 2019)

VESSELS OWNED BY JOINT VENTURES

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
PW Natuna	Accommodation Vessel	300 pax	9.12
TOTAL OFFSHORE ACCOMMODATION VESSELS			**1**

Our Fleet

TRANSPORTATION AND INSTALLATION (AS AT 31 MARCH 2019)			
VESSELS OWNED BY THE GROUP			
VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
POSH Assistor	Anchor Handling Tug (AHT)	8,000	8.54
POSH Antares	Anchor Handling Tug (AHT)	6,600	2.65
POSH Arcturus	Anchor Handling Tug (AHT)	6,600	2.33
Maritime Putri	Anchor Handling Tug (AHT)	5,000	13.97
Maritime Putra	Anchor Handling Tug (AHT)	5,000	13.93
POSH Pahlawan	Anchor Handling Tug (AHT)	5,000	9.19
POSH Panglima	Anchor Handling Tug (AHT)	5,000	8.25
Maritime Mesra	Anchor Handling Tug (AHT)	4,000	9.75
POSH Mulia	Anchor Handling Tug (AHT)	4,000	9.54
Maritime Ratu	Towing Tug	3,200	14.28
Maritime Raja	Towing Tug	3,200	14.09
POSH Giant I	Submersible Barge	20,000 dwt	10.75
POSH Giant II	Submersible Barge	20,000 dwt	8.08
Maritime Honour	Deck/Tank Barge	13,000 dwt	6.47
Maritime Glory	Deck/Tank Barge	11,500 dwt	11.61
Maritime Pride	Deck/Tank Barge	11,500 dwt	11.61
Maritime Courage	Deck/Tank Barge	11,000 dwt	7.33
Maritime Faith	Deck/Tank Barge	7,700 dwt	11.88
Maritime Icon	Deck/Tank Barge	7,700 dwt	11.00
Maritime Topaz	Deck/Tank Barge	7,700 dwt	11.18
Maritime West	Deck/Tank Barge	7,700 dwt	12.23
Maritime Amber	Deck Cargo Barge	7,500 dwt	4.13
Maritime Diamond	Deck Cargo Barge	7,500 dwt	4.13
Maritime Falcon	Deck/Tank Barge	5,400 dwt	11.00
Maritime Hawk	Deck/Tank Barge	5,400 dwt	11.18
TOTAL TRANSPORTATION AND INSTALLATION VESSELS			**25**

TRANSPORTATION AND INSTALLATION (AS AT 31 MARCH 2019)

VESSELS OWNED BY JOINT VENTURES

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
Terasea Falcon	Anchor Handling Tug (AHT)	16,300	6.08
Terasea Hawk	Anchor Handling Tug (AHT)	16,300	5.92
Terasea Eagle	Anchor Handling Tug (AHT)	16,300	5.35
Terasea Osprey	Anchor Handling Tug (AHT)	16,300	5.08
Salvanguard	Anchor Handling Tug (AHT)	13,500	15.25
Salviscount	Anchor Handling Tug (AHT)	13,500	15.12
Salveritas	Anchor Handling Tug (AHT)	12,000	12.21
Salviceroy	Anchor Handling Tug (AHT)	12,000	12.02
Salvigilant	Anchor Handling Tug (AHT)	12,000	11.70
POSH Giant 3	Semi-submersible Barge	30,500 dwt	6.28
WINPOSH 3301	Deck/Tank Barge	12,200 dwt	12.76
Maritime East	Deck/Tank Barge	8,000 dwt	14.61
Maritime Hope	Deck/Tank Barge	8,000 dwt	14.61
TOTAL TRANSPORTATION AND INSTALLATION VESSELS			**13**

HARBOUR SERVICES & EMERGENCY RESPONSE (AS AT 31 MARCH 2019)

VESSELS OWNED BY THE GROUP

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
POSH Husky	ASD Harbour Tug	5,000	2.43
POSH Hardy	ASD Harbour Tug	5,000	2.19
POSH Harvest	ASD Harbour Tug	4,000	8.33
POSH Gallant	ASD Harbour Tug	4,000	4.31
POSH Gentle	ASD Harbour Tug	4,000	4.24
POSH Guardian	ASD Harbour Tug	4,000	4.01
POSH Grace	ASD Harbour Tug	4,000	3.96
PW Rapi	Harbour Tug	1,000	11.96
PW Rajin	Harbour Tug	1,000	11.96
Intan	Harbour Tug	1,000	10.42
Ikhlas	Harbour Tug	1,000	10.42
TOTAL HARBOUR SERVICES VESSELS			**11**

VESSELS OWNED BY THE GROUP

VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
Work Boat 1	Workboat	N/A	29.77
Salvern	Utility/Emergency Support	N/A	16.40
TOTAL EMERGENCY RESPONSE VESSELS			**2**

Our Fleet

HARBOUR SERVICES & EMERGENCY RESPONSE (AS AT 31 MARCH 2019)			
VESSELS OWNED BY JOINT VENTURES			
VESSEL NAME	VESSEL TYPE	BHP (Unless otherwise stated)	AGE (Years)
PW Gamma	ASD Harbour Tug	4,000	8.67
PW Kappa	ASD Harbour Tug	4,000	8.75
PW Benar	ASD Harbour Tug	4,000	5.51
PW Berani	ASD Harbour Tug	4,000	5.44
PW Iota	ASD Harbour Tug	3,600	6.32
PW Lambda	ASD Harbour Tug	3,600	6.53
PW Tenang	ASD Harbour Tug	3,600	6.38
PW Tenaga	ASD Harbour Tug	3,600	6.40
PW Teraju	ASD Harbour Tug	3,600	6.23
PW Tepat	ASD Harbour Tug	3,600	6.23
PW Tetap	ASD Harbour Tug	3,600	4.86
PW Tentu	ASD Harbour Tug	3,600	2.72
PW Tenteram	ASD Harbour Tug	3,600	2.60
PW Tangkas	ASD Harbour Tug	3,600	4.80
PW Zeta	ASD Harbour Tug	3,200	9.64
PW Reliance	Utility Tug	3,600	10.75
PW L-501	Crane Barge	500 MT	3.02
PW L-801	Crane Barge	800 MT	12.13
TOTAL HARBOUR SERVICES VESSELS			**18**

Sustainability Report

Contents

Message from the Board

DEAR SHAREHOLDERS,

This is the second Sustainability Report by POSH. It covers the overall sustainability performance and impact of the Group's subsidiaries, POSH Semco Pte. Ltd. and POSH Fleet Services Pte. Ltd. as well as joint venture POSH Terasea Offshore Pte. Ltd. This report is prepared in accordance with the Global Reporting Initiative ("**GRI**") Standards 2016 – Core Option, an internationally-recognised standard for sustainability reporting.

Management Structure

The Board of Directors continues to assign the overall responsibility for overseeing sustainability initiatives to the Board Risk Committee ("**BRC**"). Throughout the year, the BRC sets the strategic direction and ensures that sustainability matters are considered during strategic formulation and implementation.

The BRC has assigned responsibility for monitoring and managing POSH's sustainability efforts to the Sustainability Steering Committee ("**SSC**"), comprising Senior Management from across the Group. The SSC sets the overall Environment, Social, and Governance ("**ESG**") direction and Key Performance Indicators ("**KPIs**"), which are reported quarterly to the BRC.

Sustainability Priorities

This past year, we continued to strengthen our capabilities and focused on our key sustainability priorities that were identified as material to the business: environmental and socioeconomic compliance, training and education, occupational health and safety, and economic performance.

We continually improve our control environment and culture to ensure that our organisation as well as our partners and suppliers meet global and local regulations and good practices.

We place strong emphasis on sustainability in our operations, and we were proud to be a recipient of the SEC-MPA Singapore Environmental Achievement Award (Maritime) during the Singapore Environmental Council ("**SEC**") Conference Day 2018.

We continue to be innovative in terms of training as we provide all our employees with the right skills and knowledge to carry out their work safely and efficiently.

It is in our core values to provide a safe and healthy workplace for all our employees and to achieve the Group's goal of "One Team, One Goal – Zero Harm".

Board Assurance

This Sustainability Report was prepared in accordance with the Singapore Exchange ("**SGX**") Listing Rule 711A and 711B for Sustainability Reporting and provides a reasonable and transparent presentation of POSH's plans and its ESG performance, including our responses to changing events while still respecting the commitments laid out in this report.

About POSH

Our Supply Chain

We believe in collaborating with suppliers who are transparent, ethical, and environmentally and socially responsible. We conduct quarterly sanction monitoring and evaluate our suppliers based on their Health, Safety and Environmental ("**HSE**") performance. Critical suppliers are re-evaluated annually in order to ensure that they comply with relevant laws and regulations.

Moving ahead, we will continue to improve our procurement processes to ensure that we procure goods and services from suppliers who are responsible and have good sustainability practices.

About POSH

Our People

At POSH, our employees' rights to freedom of association and to be members of trade unions are acknowledged and respected.

In 2018, 5% of our shore employees were covered under a Collective Agreement with the Shipbuilding & Marine Engineering Employees' Union ("**SMEEU**"). We will continue to engage in regular discussions with SMEEU to discuss and address relevant labour issues.

POSH subscribes to The Tripartite Alliance for Fair Employment Practices ("**TAFEP**") and incorporates such fair employment practices into our recruitment processes. We look after the welfare of our employees through various employee support schemes and initiatives:

i. Corporate gym membership
ii. Eat With Your Family Day
iii. Flexible lunch hours
iv. Lunch-time talks/ workshops on professional development and personal healthcare
v. Family care leave

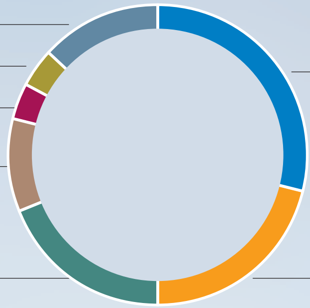
Employees (Onshore)

POSH continues to advocate for a diverse workforce at all levels, with employees from 14 nationalities. In 2018, we had a total of 141 permanent employees and 3 contract employees. Female employees accounted for 24% and male employees accounted for 76% of our total workforce.

Seafarers (Offshore)

Our 785 highly skilled seafarers come from 26 countries across the world, with a majority from the Philippines, Indonesia, India and Ukraine. As at 31 December 2018, all our seafarers were male. We will continue to review and improve our processes to provide a high-quality work environment for our seafarers by offering ongoing training and career advancement opportunities.

Composition of our Seafarers



Other nationalities include:

- Angolan
- Azerbaijani
- British
- Chinese
- Colombian
- Croatian
- Danish
- Ghanaian
- Kenyan
- Lithuanian
- Malaysian
- Nigerian
- Polish
- Romanian
- Russian
- Singaporean
- Slovenian
- Swedish
- Tanzanian
- Thai

About this Report

Global Reporting Framework

This is our second year of Sustainability Reporting, which we have developed in accordance with the GRI Standards 2016 – Core Option. Relevant references can be found in the GRI Content Index at the end of this report.

Scope of the Report and Period

This report covers the ESG activities and performance of POSH, with a focus on:

i. POSH Semco Pte. Ltd.
ii. POSH Fleet Services Pte. Ltd.
iii. POSH Terasea Offshore Pte. Ltd

Other entities (subsidiaries and joint ventures) from the POSH Group will be reviewed for their sustainability practices in the coming years, the results of which we plan to include in the Group's Sustainability Reports in the future.

This report covers the period from 1 January 2018 to 31 December 2018 (unless otherwise stated).

Our Sustainability Approach

What Sustainability Means to Us

POSH is committed to creating sustainable business growth while continuing to demonstrate our reliability, professionalism, integrity and operational excellence.

Our commitment to sustainable practices is demonstrated through key initiatives launched by the Group. The Board of Directors meets with Management regularly to discuss the strategic objectives for the longer term. With oversight of the overall strategy, Management can plan and ensure clear lines of ownership and accountability for ESG issues.

We actively engage our employees so that they are aligned with our sustainability goals. We understand that keeping our employees engaged will motivate them to contribute to POSH's overall goals which will ultimately contribute to our business performance.

We remain committed to investing for future long-term growth, including in vessels and technologies that are cleaner, safer, greener and more efficient. A number of initiatives have been developed and implemented on our young, nimble and diverse fleet in demonstration of our vision and commitment to sustainability. We also remain compliant with certifications for Health, Safety and Environment and Quality Assurance management systems such as ISO 9001, ISO14001 and OHSAS 18001.

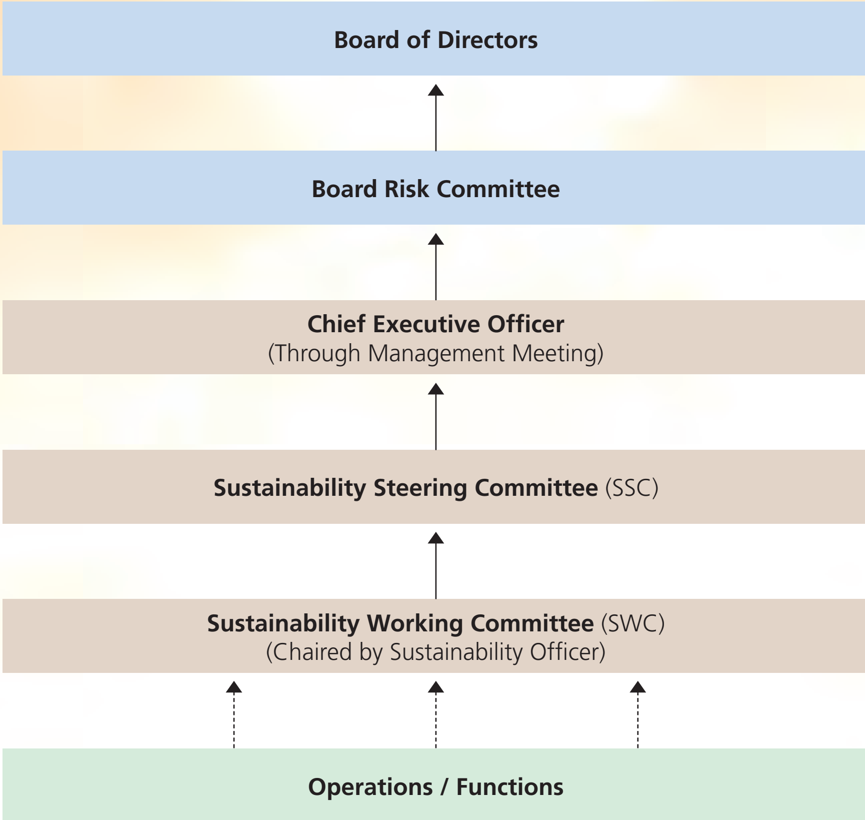
Our sustainability activities aim to not only make a difference to our environment and community, but also deliver core business value for POSH, measured in terms of cost efficiency and revenue growth. We are confident that this would allow us to emerge stronger in the future.

Sustainability Governance Structure

POSH has a robust sustainability governance structure across the Group. A SSC provides the overall ESG direction, and discusses ESG risks, opportunities, practices and targets. The SSC is chaired by the Deputy Chief Executive Officer ("**DY CEO**") and also comprises the Chief Financial Officer ("**CFO**") and Divisional Directors.

A Sustainability Working Committee ("**SWC**") is also in place to assist the SSC. It is chaired by the Sustainability Officer and comprises representatives from across the Group (e.g. HSEQA, Finance, Risk Management, Human Resources, Crewing, Training, Technical, and Purchasing). The Committee is responsible for driving the sustainability process and acts as the change agent in the organisation.

The set-up of the SSC and SWC demonstrates our ambition and commitment to integrate and maintain robust sustainability practices within our operations.



Our Sustainability Approach

Stakeholder Engagement

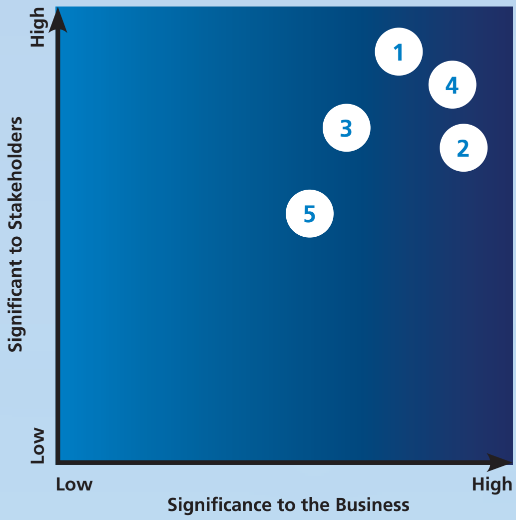
At POSH, we are fully committed to ongoing engagement with our key internal and external stakeholders. It is crucial that we understand their ESG expectations and concerns in order to continue to improve our sustainability practices.

Our stakeholder engagement process focuses on nine key stakeholder groups (Board of Directors, employees, seafarers, shareholders, regulators, customers, labour unions, media, and suppliers) that we communicate with through regular feedback and consultation sessions. These sessions help us to initiate collaboration and to remain in touch with all stakeholders.

Materiality Assessment

As reported in our 2017 Sustainability Report, POSH completed various sessions and discussions with representatives across the Group to identify the five material ESG factors that we believe are most significant to us.

The materiality matrix below recapitulates the material topics and their significance to POSH's business against their significance to our key stakeholders. The matrix also illustrates our five material factors. Economic Performance has not been included in this report as it has been included in the Annual Report.



No.	Material Topics
1	Socioeconomic Compliance
2	Environmental Compliance
3	Training & Education
4	Occupational Health and Safety
5	Economic Performance

Occupational Health and Safety

Our seafarers who form the majority of our workforce, work in challenging environments. Their safety and well-being are of utmost importance to us. We are therefore committed to providing a safe and healthy environment for our seafarers to achieve our goal of "One team, One Goal – Zero Harm". Our investment in improving HSE policies and practices continues unabated. This strong focus on safety serves as an enduring and differentiating competitive advantage.

In 2018, we held a Safety Day for all shore employees to raise awareness of challenging working conditions at sea and to re-emphasise that safety takes priority at all times. The Safety Day outlined the importance of safety in all of our work places and how a strong safety culture that emphasises prevention will assist in lowering incident levels in the future. A key outcome of 2018 Safety Day was the signing of the POSH Safety Pledge by our staff.

We continued with our sea staff seminar which involved Senior Management and prominent industry partners imparting knowledge on practical topics such as cyber security, prevention of crew injury, navigation safety, procurement, HSE, technical matters and operations to help them continue to deliver cost-effective, high quality and safe service, and to reinforce our Company core values and mission.

We adhere to policies (based on ISM Code, ISO 9001, ISO 14001, OHSAS 18001 and other industry driven requirements) available in the Integrated Management System ("**IMS**"), which are reviewed by our Senior Management during the Annual Management Review held within POSH Fleet Services ("**PFS**"). The policies in the PFS IMS Manual, which are displayed across all offices and vessels, include:

i. Health, Safety and Environment Policy
ii. Drug and Alcohol Policy
iii. Smoking Policy
iv. Stop Work Policy
v. Navigation Policy
vi. Security Policy
vii. Quality Policy
viii. Dynamic Positioning Operations Policy
ix. Anti-Corruption Policy
x. Cyber Security Policy

Occupational Safety and Health Responsibilities

The overall responsibility of managing Occupational Health and Safety on fleet vessels lies with the Director of PFS. He is supported by the Manager of HSEQA. Masters have the overall responsibility for managing Occupational Health and Safety on vessels under their charge with support from shore management.

These responsibilities are linked to the incentive scheme for shore staff in the form of KPIs, based on fleet Lost Time Injury Frequency ("**LTIF**") and Total Recordable Case Frequency ("**TRCF**"). Our HSE KPIs are closely tracked and Senior Management conduct regular vessel visits to demonstrate our firm commitment to HSE policies and reiterate our core safety values to our staff at sea.

Manpower Allocation

The human resources allocated on vessels are aligned with Flag State requirements and defined in the Safe Manning Certificates. However, we have defined processes to provide extra resources based on operational requirements. The shore-based resource allocation is reviewed during Annual Management Review based on fleet size, operational requirements and other factors.

Occupational Safety and Health Risk Management

POSH has a well-established and comprehensive risk assessment process to identify impact related to Occupational Health and Safety of employees engaged on fleet vessels. Actions are prioritised based on their importance in achieving the objective of zero incidents; health and safety takes priority over all other aspects of the operation. As the Occupational Health and Safety programmes are part of the due diligence process, we aim to avoid or mitigate the impact to As Low As Reasonably Practicable ("**ALARP**"). The actions taken are in compliance with the applicable codes and standards, including industry recommendations.

Our vessel POSH Arcadia was awarded HSE Contractor of the Month by the Shell Prelude Site Safety Leadership Team in July 2018. POSH Xanadu was also commended by Chevron U.S.A. Inc. for completing 500 incident-free helicopter operations in the US while working for the Big Foot tension-leg platform. These achievements not only demonstrate our commitment towards Goal Zero but also enhance our reputation with our clients and set us apart as a leader in Occupation Health and Safety.

How Have We Performed?

POSH complies with International Labour Organization ("**ILO**"), Maritime Labour Convention ("**MLC**"), Flag State and Oil Companies International Marine Forum ("**OCIMF**") guidelines on recording and reporting accident statistics. The target is set for the full year and injuries are tracked every month.

Performance Indicators (Based on 1 million man hours)	**Actual FY2018**	**2018 Target**
Injury Rate*	0.42	<1.0
Lost Time Injury Frequency	0.21	<0.5

* Injury Rate includes the total number of Fatalities, Permanent Total Disability ("**PTD**"), Permanent Partial Disability ("**PPD**") and Lost Work Day Cases ("**LWDC**"), Restricted Work Cases ("**RWC**") and Medical Treatment Cases ("**MTC**").

Environmental Compliance

Operating in the highly regulated oil and gas industry, we are committed to safeguarding the environment by ensuring compliance with all relevant global and local environmental laws and regulations. Some of the key industry regulations and guidelines include International Maritime Organisation ("**IMO**"), Flag State, Classification Society, Coastal State, International Marine Contractors Association ("**IMCA**"), Common Marine Inspection Document ("**CMID**") standards, OCIMF, Offshore Vessel Management and Self-Assessment ("**OVMSA**") and Offshore Vessel Inspection Database ("**OVID**") standards.

In addition, we spearheaded two key initiatives in 2018, namely: IMO Data Collection System and the DIAMOND Water Filter Project.

IMO Data Collection System

The Marine Environment Protection Committee ("**MEPC**") of the IMO approved mandatory requirements for ships to record and report their fuel consumption with effect from 1 January 2019, in a move that sends a clear and positive signal about the organisation's continuing commitment to climate change mitigation.

The mandatory data collection system is intended to be the first of a three-step process in which the analysis of data collected would provide the basis for an objective, transparent and inclusive policy debate in the MEPC. This would allow decisions to be made on whether any further measures are needed to enhance energy efficiency and address greenhouse gas emissions from international shipping. If so, proposed policy options would then be considered.

Under the system, ships of 5,000 gross tonnage and above will be required to collect consumption data for each type of fuel they use. The aggregated data will be reported to the Flag State after the end of each calendar year. After determining that the data has been reported in accordance with the requirements, the Flag State will issue a Statement of Compliance to the ship. The Flag State will be required to subsequently transfer this data to the IMO Ship Fuel Consumption Database.

POSH operates six vessels which fall under the purview of IMO data collection system as below:

1. POSH Elegance
2. POSH Endeavor
3. POSH Endurance
4. POSH Enterprise
5. POSH Mallard
6. POSH Pintail

To better prepare us for this requirement, POSH has taken the initiative to start collecting fuel consumption data for the above vessels since January 2018. We will continue to collect the data for 2019 and submit for class verification in January 2020.

Reducing Bottled Water Usage

POSH understands and acknowledges the environmental impact caused by the use of plastic bottled water. In order to reduce the consumption of bottled drinking water onboard our ships, we have fitted 45 vessels in our fleet with high quality water filters complete with water quality test kits. Each crew member is provided with reusable water bottles. As a result, consumption of bottled water has been reduced by approximately 500,000 1 litre bottles in 2018.

SOx Emission Compliance

Currently, vessels operating in Emission Control Area ("**ECA**") areas are required to consume fuel oil containing less than 0.1% sulphur content. Ships are required to change to low sulphur fuel prior to entering into ECA. IMO has given rights to port state inspectors to verify the use of low sulphur fuels in ECA ports and samples can be collected from the engine inlet fuel pipe for verification.

Sulphur Limits for Fuel in ECA

Period	Consumed
Before 1 July 2010	1.50% m/m
Between 1 July 2010 and 1 January 2015	1.00% m/m
After 1 January 2015	0.10% m/m

The ECA fuel management plan developed for the vessels covers all requirements as stated in IMO Annex VI with regards to changing over to low sulphur fuel in the ECA zone.
Each vessel has a fuel sulphur record book in compliance with IMO Annex VI. Information about changing over to low sulphur fuel and associated data are recorded.

NOx Emission Compliance

The control of diesel engine NOx emissions is achieved through the survey and certification requirements leading to the issue of an Engine International Air Pollution Prevention ("**EIAPP**") Certificate and the subsequent demonstration of compliance to Regulations 13.8 and 5.3.2, NOx Technical Code 2008 (resolution MEPC.177 (58) as amended by Resolution MEPC.251. (66)).

The NOx control requirements of Annex VI apply to the installed marine diesel engine of over 130 kW output power other than those used solely for emergency purposes, irrespective of the tonnage of the ship onto which such engines are installed. Definitions of "installed" and "marine diesel engine" are given in Regulations 2.12 and 2.14 respectively. Different levels (Tiers) of control apply based on the ship construction date, a term defined in Regulations 2.19 and 2.2, and within any particular Tier, the actual limit is determined from the engine's rated speed:

NOx Limits for Fuel in ECA

Tier	Ship construction date on or after	Total weighted cycle emission limit (g/kWh). n = engine's rated speed (rpm)		
		n < 130	n = 130 - 1999	n ≥ 2000
1	1 January 2000	17.0	$45 \cdot n^{(-0.2)}$ e.g., 720 rpm – 12.1	9.8
2	1 January 2011	14.4	$44 \cdot n^{(-0.23)}$ e.g., 720 rpm – 9.7	7.7
3	1 January 2016	3.4	$9 \cdot n^{(-0.2)}$ e.g., 720 rpm – 2.4	2.0

CO_2 Emission Compliance

With the growing concern over greenhouse gases and consumption of fossil fuels, the maritime industry governing body IMO has taken positive steps by implementing the Energy Efficiency Design Index ("**EEDI**") for new vessels which will monitor the amount of CO_2 and other Greenhouse Gas ("**GHG**") emissions from ships.

While the new concept of EEDI applies to newly built ships, IMO has developed a separate tool to measure and control GHG emission from the existing shipping fleet. It is known as the Ship Energy Efficiency Management Plan. It is mandatory for all vessels to comply as per IMO Annex VI.

Apart from the above compliance-related actions, we will implement the initiative of applying silicon paint on propellers to minimise CO_2 emission. Silicon paint application on selected vessels proved to be an effective way of dealing with fouling issues, which will enhance propulsion efficiency and in turn reduce CO_2 emission. In view of the positive result, we will apply silicon paint on more vessels which are due for docking.

How Have We Performed?

We comply with the applicable laws and regulations in the locations that we operate in. In 2018, there were no significant fines or non-monetary sanctions.

Training and Education

We recognise that our people underpin our operational and safety excellence around the world. Hence, we continue to develop our human capital and cultivate a deep pool of talent that shares our core values to take POSH forward while ensuring their safety and welfare. We also review and improve our systems annually to entrench a culture of excellence and best practice for all employees – onshore and offshore. We do this with a robust training calendar each year to continually improve and broaden the skillsets of our crew and staff, reinforce safety awareness and instil a shared sense of corporate values.

Onshore Staff

POSH has a structured Performance Management System ("**PMS**") in place with clear measurement of performance and ongoing feedback between managers and employees. POSH also launched a number of learning initiatives in 2018 in line with our staff development needs.

Performance Management System

The PMS sets the foundation to help managers guide and coach their employees and to assess employees consistently and fairly across the Group. It comprises two performance measurement components, KPIs and Competencies, assessed on a weightage of 80% and 20% respectively, to drive business results and reinforce desired behaviours in the organisation. Employees' performance on both KPIs and Competencies are appraised on a five point rating scale. When measuring Competencies, all employees are assessed on behaviours consistent with the organisation's core values and either four Competencies for broad based staff or nine leadership Competencies for people managers.

How Have We Performed?

We have regular performance discussions to ensure our employees receive ongoing constructive and meaningful feedback about their work performance. In 2018, 99% of the total employees completed their performance review during the reporting period in 2018. The table below shows a breakdown by employee categories.

Group HR launched two new learning programs this past year aimed at building our peoples' competencies:

- Lead@KSL
- Lynda

Lead@KSL was introduced with the objective of developing the leadership competencies of our people managers to ensure a robust leadership pipeline for the future. The programme contains six in-house training modules aimed at building foundational skills and enhancing key managerial capabilities of our managers. 68% of people managers attended at least one training module in 2018.

Group HR also partnered with Lynda – a leading online learning platform – to provide an avenue for individual contributors to develop new skills related to their job through independent e-learning. The platform was piloted in 2018 with 20 users who have completed a total of 104 courses.

In 2018, the Group completed 644 hours of learning via Lead@KSL and 164 hours on the Lynda platform. This meant that each user spent at least eight hours on the Lynda platform developing new skills through independent e-learning.

	Male	Female
Non-Management		
Goal Setting	100%	100%
Mid-Year Review	98%	98%
Year-End Review	100%	100%
Middle Management		
Goal Setting	100%	100%
Mid-Year Review	100%	100%
Year-End Review	100%	99%
Senior Management		
Goal Setting	100%	100%
Mid-Year Review	100%	100%
Year-End Review	100%	100%

Offshore Staff

We have established that competency management of seafarers is of utmost importance as it relates directly to health and safety in the fleet, which ultimately contributes to efficient operations. We have defined training standards for seafarers employed on board to ensure safe operations and will endeavour to source and provide additional training beyond the IMO's Standards of Training, Certification and Watch-keeping for Seafarers ("**STCW**") Conventions.

Training Initiatives for Seafarers

i. There are numerous in-house training courses that focus on operational excellence and high-level safety courses which are on par or above industry standards.
ii. We have also collaborated with various regional Maritime Colleges for the cadetship training programmes in the Philippines, Malaysia and Singapore to nurture the seafarers from the start of their maritime career. Cadets follow a strict training regime in POSH until they are Captains or Chief Engineers after accumulating experience on various ship types in the organisation.
iii. We have partnered with several third-party training centres in the Philippines, Malaysia, India and Singapore to provide specific trainings to POSH seafarers.
iv. We organised Seafarer's Seminar in the Philippines and Jakarta, Indonesia where Senior Management of POSH met the seafarers to discuss industry best practices. These seminars provide good opportunities for seafarers to voice concerns and share ideas with Senior Management to ensure the seafarers and Senior Management ashore are "One Team" growing in the big family of POSH.
v. POSH continues to provide training through interactive computer-based programs for the seafarers.

Effectiveness of Training

The effectiveness are measured by the following:

i. Management and seafarers' interaction sessions during Seafarer's Seminar
ii. Customer's inspection and feedback on POSH vessels
iii. Internal and external audits
iv. Management's participation whenever there is a course attended by the seafarers

The result of the evaluation of management approach is documented in the Annual Management Review meeting minutes. Any adjustment to the management approach thereafter will be recorded and tracked. Adjustments will be made annually as POSH aspires to be the leader in the industry and to reach Stage 3 of the OVMSA.

How Have We Performed?

We continue to provide Manual Ship Handling ("**MSH**") Courses for Dynamic Positioning Officers ("**DPO**").
To enhance the skill sets of the DPOs, we have also trained them on the industry leading "Enhanced Follow Target Mode'. For 2018, we achieved our 192-hour target of "Enhanced Follow Target Mode" training.

Socioeconomic Compliance

POSH is committed to ensuring compliance with all relevant global and local laws and regulations as we operate in the highly regulated oil and gas industry. Besides establishing whistleblowing and anti-corruption policies, we also have a Sanctions Compliance policy which states the commitment by the Group to conduct business with integrity, fairness, impartiality and in an ethical and proper manner.

We conduct quarterly sanction monitoring for existing customers and vendors. Additionally, we conduct half-yearly sanction monitoring on existing employees with the help of the Human Resource department. This is to ensure that we stay vigilant and remain up to date with the latest development of international sanction requirements.

How Have We Performed?
POSH complies with the applicable laws and regulations in the areas that we operate in. In 2018, there were no significant fines or non-monetary sanctions.

GRI Content Index

This report has been prepared in accordance with the GRI Standards - Core option.

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Corporate Governance Report

PACC Offshore Services Holdings Ltd. ("POSH" or the "Company") and its subsidiaries (the "Group") believe in a firm commitment to upholding the highest standards of corporate governance to safeguard the interests of all its stakeholders. This report sets out the current practice with reference to the guidelines set out in the Code of Corporate Governance 2012 (the "Code"). The Company's corporate governance practices conform largely to the principles and guidelines of the Code. Where there are deviations from the Code, appropriate explanations are provided in this Report.

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is accountable to stakeholders for the long-term performance and financial soundness of the Group. The Board's primary responsibility, apart from its statutory duties, is to direct and oversee the implementation of the Group's overall business strategy, establish and communicate corporate culture and values, and establish conflicts of interest policies and a strong corporate governance environment.

Other principal functions of the Board include: (a) ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; (b) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets; (c) reviewing Management's performance; (d) identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation; and (e) consider sustainability issues, such as environmental and social factors, as part of its strategic formulation.

The Company will report its sustainability practices on pages 33 to 48 of this Annual Report.

To assist the Board in the discharge of its oversight function, various board committees namely the Audit, Board Risk, Nominating and Remuneration Committees ("Board Committees") have been constituted with clear terms of reference. All Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. All Directors exercise due diligence and independent judgement, and make decisions objectively as fiduciaries in the best interests of the Group. This is one of the performance criteria for the assessment of the contributions of the individual Directors.

The Board conducts regular scheduled meetings on a quarterly basis and ad-hoc meetings are convened, as may be requested by any member of the Board or if warranted by circumstances deemed appropriate by the Board. Between scheduled meetings, matters that require the Board's approval are circulated to all Directors for their consideration and decision. As provided in the Company's Constitution, Directors may participate in Board meetings by teleconferencing and videoconferencing.

All written resolutions passed and minutes of meetings held by the Board Committees are circulated to the Board for information and review, with such recommendations as the respective Board Committees consider appropriate for approval by the Board. While the Board Committees have the delegated powers to make decisions or make recommendations within the scope of their respective terms of reference, the ultimate responsibility for the decisions and actions rests with the Board as a whole.

For the year under review, the attendance of the Directors of the Company at meetings of the Board and Board Committees are summarized below:

		Board	Audit Committee ("AC")	Board Risk Committee ("BRC")	Remuneration Committee ("RC")	Nominating Committee ("NC")
1.	Kuok Khoon Ean	4/5	NA	3/4	2/2	NA
2.	Seow Kang Hoe, Gerald	5/5	NA	NA	NA	NA
3.	Wu Long Peng (Alternate: Yong Hsin Yue[4])	5/5	NA	NA	NA	2/2
4.	Ahmad Sufian @ Qurnain Bin Abdul Rashid	4/5	3/4	NA	2/2	1/2
5.	Ma Kah Woh	5/5	4/4	4/4	NA	2/2
6.	Jude Philomen Benny[1]	5/5	4/4	4/4	NA	2/2
7.	Wee Joo Yeow[2]	5/5	4/4	4/4	2/2	NA
8.	Ivan Replumaz[3]	5/5	3/4	3/4	NA	NA

Note:

1. Mr Jude Philomen Benny was appointed as a member of RC on 7 December 2018.
2. Mr Wee Joo Yeow was appointed as a member of NC on 7 December 2018.
3. Mr Ivan Replumaz was appointed as a member of the AC and BRC as well as Chairman of the BRC on 1 March 2018.
4. Ms Yong Hsin Yue was appointed as an alternate director to Mr Wu Long Peng on 29 January 2019.

Corporate Governance Report

The Company has adopted and documented internal guidelines setting forth matters that require Board approval. Matters which are specifically reserved for the decision of the Board include:

- Strategies and major business proposals of the Group;
- Acquisitions and disposals of investments, businesses and assets;
- New lines of businesses which complement the core business activities of the Group;
- Commitment to loans and lines of credit from banks and financial institutions including interest rates hedging and fund raising from capital markets, and including the opening and closing of bank accounts; and
- Share issuances, interim dividends and other returns to shareholder.

Incoming directors receive a board tailored induction pack on joining the Board. The board induction pack includes information on the operations and businesses of the Group and governance practices.

Directors are updated on the Group's business, including changing commercial risks, and on relevant new laws and regulatory changes, as and when necessary. Industry update briefing sessions by external industry specialists are also organised for the Board. Board members are encouraged to attend seminars and courses organised by the Accounting and Corporate Regulatory Authority, the Singapore Institute of Directors and/or the Singapore Exchange Limited on relevant topics, costs of which are borne by the Company.

The Board secretariat is responsible for organising and compiling a list of relevant courses, which are circulated to Board members. Directors' attendance record at courses is being maintained by the secretariat.

Newly appointed directors will receive formal letters of appointment setting out the scope of their duties and obligations.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board has eight (8) principal directors comprising one (1) Executive Director, two (2) Non-Executive Directors and five (5) Independent Non-Executive Directors and one (1) alternate director. Independent Directors make up more than half the Board. The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its shareholders with shareholdings of 10% or more voting shares in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of a Director's independent business judgement with a view to the best interests of the Group.

The Code states that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. Mr Ahmad Sufian @ Qurnain Bin Abdul Rashid was first appointed to the Board on 9 January 2009 and has served more than nine years on the Board.

The NC and the Board reviewed Mr Ahmad Sufian @ Qurnain Bin Abdul Rashid's independence. The NC and the Board are of the view that Mr Ahmad Sufian @ Qurnain Bin Abdul Rashid contributed significantly to the discussions and demonstrated independent judgement in the discharge of his duties at Board and Board Committee meetings. Mr Ahmad Sufian @ Qurnain Bin Abdul Rashid expressed individual point of view and objectively reviewed and scrutinised management's proposals. The NC and the Board are not aware of any factors that would impair Mr Ahmad Sufian @ Qurnain Bin Abdul Rashid's independence and concluded that Mr Ahmad Sufian @ Qurnain Bin Abdul Rashid continued to be considered independent.

In FY2018, on the basis of the declarations of independence provided by the Directors, the guidance in the Code and the review of the NC, the Board has determined that Mr Ahmad Sufian @ Qurnain Bin Abdul Rashid, Mr Ma Kah Woh, Mr Jude Philomen Benny, Mr Wee Joo Yeow and Mr Ivan Replumaz are Independent Directors under the Code.

With Independent Directors being a majority on the Board, the Company believes that it has a strong and independent element on the Board which facilitates the exercise of independent and objective judgement on its corporate affairs.

Mr Jude Benny is the Lead Independent Director. He avails himself to address shareholders' concerns and acts as a counter-balance on management issues in the decision-making process. The Lead Independent Director works closely with other Independent Directors and when necessary meets with them, without the presence of other Directors to discuss matters that were deliberated at Board meetings. In the absence of the Chairman or if there is a conflict of interest, the Lead Independent Director, will assume the role of Chairman. The Lead Independent Director will also provide feedback to the Chairman after such discussions/meetings.

The NC reviews annually, the size, composition and balance of the Board to ensure the Board has the core competencies for effective functioning and informed decision making. The Board is made up of Directors with a wide range of skills, experience and qualifications and they bring with them expertise and knowledge in areas such as accounting, finance, legal, business acumen, risk management and specific industry and customer-based knowledge relevant to the Group's business. Key information about the Directors is presented in the section titled "Board of Directors" in the Company's Annual Report 2018.

The composition of the Board is determined using the following principles:

(i) The majority of the Board should be independent;
(ii) The Board should comprise directors with a wide range of commercial, risk management and general management experience.

The Board recognises the importance and value of gender diversity. The NC will include gender diversity as one of the criteria for future appointments on the Board.

The Board is provided with accurate, complete and timely information to enable it to make well informed decisions. The Non-Executive and Independent Directors constructively challenge and assist in the development of proposals on strategy and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. Where necessary, the Non-Executive and Independent Directors will hold discussions separately without the presence of Management.

The Board in concurrence with the NC, is of the view that taking into account the nature and scope of the operations of the Group, the requirements of the Group's businesses, and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the current size and composition of the Board facilitates effective decision making. With Independent Directors making up more than half of the Board, no individual or small group of individuals dominate decision making. The Directors as a group provide the appropriate balance and diversity of skills, experience, knowledge of the Group as well as core competencies such as legal, accounting or finance, maritime & offshore knowledge, business or management experience and strategic planning experience required for the Board and the Board Committees to be effective.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

The Company's Chairman is Mr Kuok Khoon Ean. The Chairman, with the assistance of the Company Secretaries, schedules and prepares meeting agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues, to enable the Board to discharge its duties responsibly having regard to the Group's operations.

The Chairman leads all Board meetings to ensure its effectiveness on all aspects of its role and ensures that Board members receive complete, adequate and timely information to enable them to be fully cognisant of the affairs of the Group. He also promotes a culture of openness and debate and solicits contributions from the Board members to facilitate constructive discussions. The Chairman also ensures effective communication with shareholders, encourages constructive relations within the Board and between the Board and Management and facilitates the effective contribution of non-executive directors in particular.

The Chairman takes a leading role in the Company's drive to achieve and maintain high standards of corporate governance with the full support of the Board and the Company Secretaries.

The Chief Executive Officer ("CEO") on the other hand, has full executive responsibility over the business direction and operational decisions on the day-to-day operations and management of the Group.

The Chairman and CEO are not related.

Corporate Governance Report

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The Board has established the NC comprising entirely Non-Executive Directors with the majority being Independent Directors, namely:

Jude Philomen Benny	Chairman and Lead Independent Director
Ahmad Sufian @ Qurnain Bin Abdul Rashid	Member
Wu Long Peng	Member
Ma Kah Woh	Member
Wee Joo Yeow[1]	Member

Note:

1. Mr Wee Joo Yeow was appointed as a member of the NC on 7 December 2018.

The NC meets at least once a year and under its terms of reference is responsible for, among others, making recommendations to the Board on matters relating to:

a) The review of succession plans for Board of Directors, in particular the Chairman as well the succession plan for CEO;
b) The development of the process for evaluation of the performance of the Board, Board Committees and Directors;
c) The review of training and professional development programs for the Board;
d) The appointment and re-appointment of Directors; and
e) The appointment of persons to senior management positions.

The NC has adopted the guidelines as set out in the Code in carrying out its assessment of the independence of the Directors of the Company. The independence of each Independent Director is reviewed by the NC on an annual basis and as and when circumstances require. Annually, each Independent Director is required to confirm his independence. Appointment of a new independent director is subject to his confirmation that he is independent based on the criteria set out in the Code.

The NC has, upon its assessment, concluded that none of the Independent Directors are related and do not have any relationship with the Company or its related companies, its shareholders with shareholdings of 10% or more voting shares in the Company or its officers that could interfere with the exercise of their independent judgement. The Board has concurred with the NC that all five existing Independent Directors of the Company are considered independent.

The Company does not, as a matter of policy, limit the maximum number of listed company board representations its Board members may hold as long as each of the Board members is able to commit sufficient time and attention to the affairs of the Group. In this connection, the NC determines annually whether a Director with multiple board representations and/or other principal commitments is able to carry and has been adequately carrying out his duties as a Director of the Company. The NC takes into account the results of the assessment of the competencies, commitment and contributions of the individual Director and is of the view that although some Directors hold other non-Group Board representations, they are nevertheless able to carry and have effectively carried out their duties as Directors of the Company.

As part of the Board selection process, the NC undertakes an assessment of the current strengths of the Board, its ability to govern effectively, as well as any gaps that should be filled. The NC also considers the composition and progressive renewal of the Board.

Candidates may be proposed by existing Board members or recommended through the Group's network of business associates and professionals. The necessary due diligence on the candidate will be conducted and interviews arranged with the NC before the selected candidate is formally proposed to the Board of Directors. The NC must be satisfied that the candidate is fit and proper for the position, taking into account the candidate's track record, experience, capabilities and other relevant factors.

As a principle of good corporate governance, all Board members are required to submit themselves for re-election at regular intervals. Each member of the NC will abstain from voting on any resolution in respect of the assessment of his re-nomination as Director. The CEO, as a Board member, is also subject to retirement and re-election. In accordance with the Constitution of the Company, one-third of the Directors who have been longest in office since their last re-election, are required to retire by rotation at least once every three years. These Directors are eligible for re-election, subject to approval by the shareholders at the annual general meeting ("AGM"). New Directors will hold office only until the next AGM following their appointments and they will be eligible for re-election. Such Directors are not taken into account in determining the number of Directors who are to retire by rotation.

The NC has, in its deliberations on the re-election of existing Directors, taken into consideration the relevant Director's competencies, commitment, contribution and performance. The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of participation and special contribution.

The Board has accepted the NC's recommendation to seek approval of shareholders at the upcoming AGM for the re-election of Mr Kuok Khoon Ean, Mr Ma Kah Woh and Mr Wee Joo Yeow under Articles 94 and 95 of the Company's Constitution. Mr Wu Long Peng who is also due for retirement by rotation at the upcoming AGM, will not be seeking for re-election and accordingly, he will retire from office at the conclusion of the AGM. Consequently, Ms Yong Hsin Yue will also cease to be his alternate director after the conclusion of the AGM.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The Board, through the NC, has implemented a process for assessing the effectiveness of the Board as a whole and its Board Committees and contribution by the Chairman and each individual Director to the effectiveness of the Board, on an annual basis. Directors are required to complete a Board assessment form and an individual self-assessment form. In addition, Committee members are required to assess each Board Committee they are a member of. The findings are collated and presented by the NC to the Board.

The assessment is based on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, the Board process and accountability, the Company's procedures on development of remuneration policies and risk management controls. Through the Board evaluation, the Directors had the opportunity to gauge whether they have demonstrated commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties), their effectiveness individually, collectively and identify areas of improvement.

The Chairman may act on the results of the Board evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

For FY2018, the evaluation indicated that the Board continues to perform effectively.

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors receive a set of board papers that include explanatory information relating to matters to be brought before the Board, copies of disclosure notes, budgets, forecasts and internal group financial statements prior to Board and Board Committees' meetings. This is generally sent to them in advance to allow sufficient time for the Board members to obtain further explanations, where necessary, to be properly briefed and adequately prepared for the Board and Board Committees' meetings. In respect of budgets, any material variance between the projections and actual results are also disclosed and explained.

The Directors also receive monthly flash reports (which include monthly internal financial statements) as well as quarterly management accounts of the Group and have unrestricted access to the records and information of the Group. The Non-Executive and Independent Directors have access to senior executives in the Group and other employees to seek additional information if required to enable them to understand the Group's business, the business and financial environment as well as the risks faced by the Group. To facilitate separate and independent access, the contact particulars of the senior executives and Company Secretaries of the Group have been provided to all Directors. The Directors, whether collectively or individually may, at the Company's expense, seek and obtain independent professional advice when necessary to discharge their duties effectively.

The Company Secretaries have the responsibility to ensure that Board procedures are followed and that all applicable rules and regulations including requirements of the Securities and Futures Act, Singapore Companies Act and SGX-ST Listing Manual, are complied with. Under the direction of the Chairman, the responsibilities of the Company Secretaries include ensuring good information flows within the Board and its Board Committees and between Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The Company Secretaries are in attendance at meetings of the Board and Board Committees and are responsible for preparing the minutes of the proceedings thereat. The appointment and removal of the Company Secretaries is a matter for the Board to decide as a whole.

Corporate Governance Report

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises four (4) Directors namely:

Wee Joo Yeow	Chairman
Kuok Khoon Ean	Member
Ahmad Sufian @ Qurnain Bin Abdul Rashid	Member
Jude Philomen Benny[1]	Member

Note:

1. Mr Jude Philomen Benny was appointed as a member of the RC on 7 December 2018.

The RC has written terms of reference that describes the composition and responsibilities of the members. The RC shall comprise of at least three directors, the majority of whom, including the RC Chairman should be independent. All the members of the RC are non-executive directors. The RC is responsible for ensuring a formal and transparent procedure for developing a comprehensive remuneration policy, and general framework and guidelines for remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, grant of shares and shares options, and benefits-in-kind) of the members of the Board and key management personnel. The RC reviews and recommends to the Board, specific remuneration packages for each of the Directors and the key management personnel. The RC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximizing shareholder value. Where necessary, the RC will seek expert advice on human resource or remuneration matters within the Company or from external consultants. No consultant was engaged in 2018 to provide remuneration advice.

The RC is also responsible for the review of, and recommending to the Board, awards under the POSH Share Option Plan ("SOP") and POSH Performance Share Plan ("PSP") and their associated performance conditions. In addition, the RC reviews the Company's obligations arising in the event of termination of the Executive Director's and key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

No RC member nor any Director is involved in deliberations regarding compensation, share-based incentive or any form of benefits to be granted to himself.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

The Company's current remuneration framework comprises a fixed and a variable component. The variable component, delivered in the form of annual bonus and/or PSP and SOP ("Share Plans"), is tied to the performance of the individual and the Group. During the financial year, in November 2018, the Company granted a batch of share awards to the CEO and key management personnel of the Group. The Company also granted a second batch of share options to eligible employees of the Group. These are intended to reward and recognise the contributions of the employees to the long-term growth of the Group. Details of the share awards and options granted, including their vesting schedules are set out in the Directors' Statement.

One of the key objectives of the Share Plans is to provide employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key management personnel and employees. The Company believes that the Share Plans, as a long term incentive scheme will align the interests of its employees and Non-Executive Directors with those of its shareholders and promote the long-term success of the Company.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

Each member of the Board receives an annual Director's fees, and such fees are subject to the approval of shareholders at the AGM. The structure of Directors' fees for FY2018 is set out below. The CEO as an Executive Director does not receive Director's Fees.

In determining the quantum of Directors' fees for the Non-Executive Directors, factors such as effort and time spent and responsibilities of the Directors are taken into account to ensure that the remuneration is appropriate to their level of contribution. The RC ensures that none of the Independent Directors are over-compensated to the extent that their independence may be compromised.

Fee Structure for FY2018

a. A retainer fee of S$60,000 for serving as a Director (other than Chairman of the Board);
b. A retainer fee of S$120,000 for serving as Chairman of the Board;
c. Additional attendance fee of S$500 per meeting (for Board and Board Committees, except for Chairman of the Board);
d. Additional fee of S$20,000 for serving as Lead Independent Director;
e. Additional fee for serving as member on the following Board Committees. In addition, the Chairman of each Board Committee is also paid an additional fee in view of the greater responsibility carried by that office.

	Audit Committee S$	**Board Risk Committee S$**	**Nominating Committee S$**	**Remuneration Committee S$**
Chairman's Fee	30,000	5,000	5,000	5,000
Member's Fee	20,000	10,000	10,000	10,000

The breakdown of remuneration for the Directors and the top 5 key executives of the Company for FY2018 are as follows:

Non-Executive and Independent Directors	**Proposed Directors' Fee**	**Fixed Salary**	**Variable Bonus**	**Benefits-in-kind**	**Total (S$)**
Kuok Khoon Ean	100%	–	–	–	140,833
Wu Long Peng	100%	–	–	–	73,500
Jude Philomen Benny	100%	–	–	–	133,172
Ma Kah Woh	100%	–	–	–	137,500
Ahmad Sufian @ Qurnain Bin Abdul Rashid	100%	–	–	–	105,000
Wee Joo Yeow	100%	–	–	–	113,172
Ivan Replumaz	100%	–	–	–	94,671

Directors	**Fixed Salary**	**Variable Bonus**	**LTI[1]**	**Benefits-in-kind**	**Total**	**Remuneration Band (S$)**
Executive Director						
Seow Kang Hoe, Gerald	44%	33%	22%	1%	100%	1,250,000 – 1,499,999

For FY2018, the aggregate remuneration paid to the top five key management personnel is approximately S$2,950,000, the breakdown of which in percentage terms is as follows:

Top 5 Key Management Personnel	**Fixed Salary**	**Variable Bonus**	**LTI[1]**	**Benefits-in-kind**	**Total**	**Remuneration Band (S$)**
Lee Keng Lin	63%	19%	18%	0%	100%	750,000 – 999,999
Lim Han Boon Michael[3]	100%	0%	0%	0%	100%	0 – 249,999
Chiu Wai Chi[4]	69%	31%	0%	0%	100%	0 – 249,999
Ng Eng Khin[2]	72%	15%	13%	0%	100%	500,000 – 749,999
Chai Ulva	71%	16%	13%	0%	100%	500,000 – 749,999
Sim Hee Ping	65%	21%	14%	0%	100%	250,000 – 499,999

Note:

1. Long term incentive ("LTI") comprising share awards granted under the Company's Performance Share Plan.
2. Mr Ng is employed by POSH Terasea Offshore Pte Ltd, a wholly owned subsidiary of the joint venture POSH Terasea Pte Ltd.
3. Mr Lim has stepped down as CFO of POSH with effect from 17 September 2018.
4. Mr Chiu was appointed as CFO of POSH with effect from 17 September 2018.

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The remuneration of the Group's top five key executives takes into account employment conditions within the industry whereby salary benchmarking for the various job responsibilities was carried out, financial performance of the Group and their individual performance based on a balanced scorecard approach. In assessing performance related criteria, due regard is given to health and safety measures undertaken by the Executive.

The Company is of the opinion that it is not in the best interest of the Company to disclose specific details of the remuneration of the CEO and the top five key executives due to the competitiveness of the industry for key talent.

No employee is an immediate family member of a Director or the CEO except for the daughter of Dato Jude Benny. Her remuneration is not determined by the RC for the year under review and does not exceed S$50,000.

In exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group, the Company will be able to reclaim incentive components of remuneration from the Executive Director and key management personnel.

There are no termination, retirement, or post-employment benefits that are granted to the Directors and the top five key management personnel.

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Company's and Group's performance, financial position and prospects, including interim and other price-sensitive public reports, and reports to regulators (if required). Management provides all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. The Directors fully recognise the principle that the Board is accountable to the shareholders while the Management is accountable to the Board.

The Board has embraced openness and transparency in the conduct of the Group's affairs, whilst preserving the commercial interests of the Group. Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNet, press releases and the Company's website.

The Board reviews reports from the Management to ensure compliance with all the Group's policies, operational practices and procedures and relevant legislative and regulatory requirements. The Directors may seek independent professional advice as and when necessary.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board 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.

Role of Board and Board Committees

The Board with the assistance of the BRC and the AC which is discussed under Principle (12) is responsible for the governance of risk by overseeing Management in the design, implementation and monitoring of a sound system of risk management and internal control systems to safeguard shareholders' interest and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives. The Board sets the overall strategic direction and ensures such strategies are aligned with the risk tolerance of the Group, as well as any potential emerging risks that the Group may face.

The BRC comprises five (5) Non-Executive Directors with the majority being Independent Directors, namely:

Ivan Replumaz	Chairman[1]
Kuok Khoon Ean	Member
Jude Philomen Benny	Member
Ma Kah Woh	Member
Wee Joo Yeow	Member

Note:

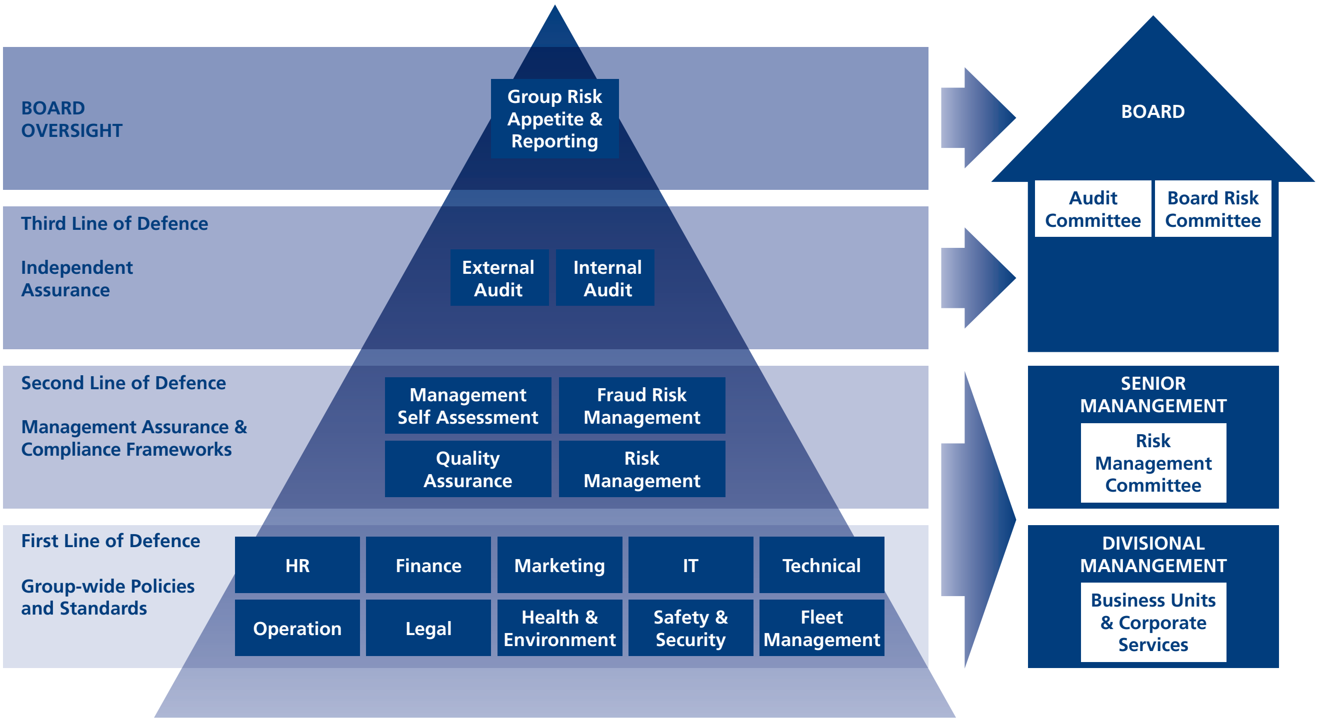
1. Mr Ivan Replumaz was appointed as a member and Chairman of the BRC on 1 March 2018.

The BRC reviews and discusses with Management the Group's risk governance structure, risk assessment and risk management guidelines, policies and processes and the adequacy and effectiveness of the Group's risk management policies and internal control systems. The BRC reports to the Board on material findings and recommendations in respect of significant strategic, business and operating risks. For financial reporting, information technology ("IT"), compliance and regulatory risks, the AC provides the oversight and assesses the adequacy and effectiveness of the Group's internal control and compliance systems.

Risk Governance and Assurance Framework

The Group's risk governance and assurance framework is structured with three lines of defence; the business unit management, in partnership with corporate services support functions, is the first line of defence and is primarily responsible for establishing policies and procedures to manage risks within approved Group risk appetite. As the second line of defence, Group oversight functions (such as Group Health, Safety, Environment and Quality Assurance ("HSEQA") and Risk Management) develop and maintain appropriate risk management framework and assurance processes as well as monitor and report key risk issues. Internal Audit function and External Auditors, as the third line of defence, provide independent assurance on the adequacy and effectiveness of the Group's internal controls and risk management systems. The following diagram depicts the Group's risk governance and assurance framework by which the Board obtains assurance on the adequacy and effectiveness of the Group's risk management and internal control systems.

Risk Governance and Assurance Framework



Risk Management Framework

The Group has established a Risk Management Framework to identify, manage and monitor the portfolio of business and operating risks impacting the Group on an on-going basis. During the financial year, Risk Management and Internal Audit worked with the business units to review and assess key financial, operational, compliance and information technology risks of the Group. All business units were involved in identifying and evaluating risks from the bottom up, and these risks were then reviewed by the Risk Management Committee that comprised senior management of the Group to provide a top down perspective as well. Reports on specific risk topics were also prepared by Management, and tabled to the BRC during the year for deliberation.

Corporate Governance Report

Fraud Risk Management

The Group does not tolerate any corporate impropriety, malpractice or wrongdoing by staff in the course of their work. The Group has in place a fraud risk management framework and some of the key practices in place include the following:

a) *Clear communication of Group's values and ethics*
The Group's Codes of Ethics and Conduct serve to guide staff on issues of ethical conduct and conflicts of interests that may arise in the course of their employment. These requirements are also clearly set out in the employee's Employment Terms & Conditions, as well as the Employee Handbook.

b) *Anti-fraud controls*
Conflicting duties and access rights are identified and segregated. Employment due diligence processes include background reference checks for all staff newly appointed to executive grades and above. All new staff are also required to provide offence and non-indebtedness declarations. For new vendors, company profile searches and financial evaluation are performed, where relevant.

c) *Whistleblowing channels*
The Group has a whistleblowing programme that provides a framework for reporting of suspected fraud, corruption, dishonest practices or other misdemeanors without fear of reprisals and provides for independent investigation of such matters and appropriate follow up actions. Please refer to Principle (12) for an elaboration on the whistleblowing programme.

Anti-Corruption and Sanctions Policies

The Group operates or has presence in various jurisdictions, including environments where there is a significant risk of bribery and corruption. Across the globe, there is an ever increasing focus on combating bribery and corruption, not only in developed nations but also in developing countries. POSH Management is and has been committed to conducting business with integrity and in an ethical and proper manner, and in compliance with all applicable anti-corruption laws and regulations.

The Group's commitment is embedded in its anti-corruption policies and procedures, a copy of which is available at https://portal.kuoksg.com/sites/PoshPage and upon request. Implementation of the policy is reinforced via inclusion in relevant staff, operating and contract manuals, training, third party associate due diligence processes, gifts and entertainment approval systems, risk matrices, certification requirements and through routine audits as well as special audits.

Likewise, the Group is committed to compliance with all applicable economic and trade sanctions programmes, laws and regulations. The Group's existing process relating to sanctions compliance has been formulated into a Sanctions Compliance Policy, a copy of which is available at https://portal.kuoksg.com/sites/PoshPage and upon request.

Quality Assurance

To further enhance POSH commitment towards safety, the Group's Safety Handbook was revised to reflect current safety standards and used to educate non-operational staff on the importance of Safety. POSH 10 Golden Rules was developed to inculcate a safety culture within all POSH staff with strong commitment coming from senior management. All shore staff were briefed by HSEQA department on the contents of the Safety Handbook and 10 Golden Rules, following which they signed the safety pledge to reflect their commitment towards safety. This pledge is to promote the mind set of "Safety Starts With Me".

To cultivate environmental awareness in shore based personnel towards compliance with ISO 14001, waste segregation has been implemented in the office since 2015. In addition to ship staff, the Behaviour Base Safety ("BBS") programme was extended to the shore based personnel.

Regular review of Group's Safety Management System ("IMS") is carried out to ensure continual improvement and that it remains current. The HSEQA department also carries out regular audits on ship operations in compliance with International Safety Management Code, International Ship and Port Facility Security Code, Code of Maritime Labour Convention, Occupational Health and Safety Management Standard and International Organisation for Standardisation ("ISO") Quality Management Standard. Periodic checks are also conducted by prospective charterers to ensure compliance with charterer's requirement of Offshore Vessel Management System Audit and Offshore Vessel Inspection Database.

IT Risk Management

IT services for the Group is outsourced to KSL Group IT as part of the common support services provided under the Shared Services Platform across KSL Group.

KSL Group IT together with POSH Management through the IT Steering Committee ("ITSC") forum meets periodically to discuss IT projects and initiatives in alignment with business goals and direction. The forum also serves as a communication channel to discuss matters concerning IT governance including IT policies and process, IT security and service level agreement for continual performance monitoring of outsourced services to the Group.

As it is critical for the organisation to continually examine its risks and security objectives across its business environment, IT seeks to further enhance its security posture by deployment of Advanced Threat Defence System for protection against threats and vulnerabilities to mitigate cyber related risks. This coupled with continuous updating of documented IT security policies and security programmes, increases staff awareness of cyber security risks so that they can play an active role in managing IT risks in the course of their work. IT has also established a strategy and reporting framework for incident management and controls.

To mitigate IT project related risks, IT projects are managed based on an IT Project Framework that sets out processes to ensure detailed and accurate scoping of business requirements, project planning, regular project updates, risk assessment with respect to project budget and timeline, performance monitoring and reporting of key projects to stakeholders.

Over the years, both the Internal Audit team and External Auditor carried out periodic audits to assess the adequacy of internal controls for IT systems in addition to reviewing general information technology infrastructure and controls in their audit cycle/ programme. Any potential risks identified are highlighted to Management for necessary actions. Any major risks identified are also tracked and reported to the AC and BRC.

Management Control Self-Assessment

During the year, the Internal Audit team jointly with Risk Management updated the Control Self-Assessment checklists for each business division and the business divisions used them to evaluate the adequacy and effectiveness of the key controls within their area. The results of these self-assessments provide one of the bases for the Board's opinion on the adequacy and effectiveness of risk management and internal control systems.

Opinion on the Adequacy and Effectiveness of Internal Control and Risk Management Systems

The Board recognises the importance of a sound internal controls system to safeguard the assets of the Group and the shareholders' interest. The Board affirms its overall responsibility for the Group's system of internal controls and for reviewing the adequacy and integrity of those systems. It should be noted that the internal controls system is designed to manage rather than to eliminate risks. Accordingly, the internal controls system can only provide reasonable and not absolute assurance regarding the achievement of the Group's objectives in the following areas:

a) effectiveness and efficiency of operations;
b) reliability of financial reporting; and
c) compliance with applicable laws and regulations.

The first area addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of assets. The second relates to the preparation of reliable financial statements, including interim and full year financial statements. The third deals with complying with those laws and regulations to which the entity is subject to.

During the year under review, the Board has received written assurance from the CEO and CFO that: (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the risk management and internal control systems of the Group are adequate and effective.

On the basis of the foregoing assurance from Management, the internal controls established and maintained by the Group, the self-assessments by the business divisions and work performed by the Internal and External Auditors, the Board, with the concurrence of the AC and BRC, is of the opinion that the Group's internal controls and risk management systems, addressing key financial, operational, compliance, information technology and risk management objectives; and which the Group considers relevant and material to its operations, were adequate and effective to meet the needs of the Group in its business environment as at 31 December 2018.

Corporate Governance Report

AUDIT COMMITTEE

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

Composition and Role of AC

The AC comprises entirely of Non-Executive Independent Directors, namely:

Ma Kah Woh	Chairman
Ahmad Sufian @ Qurnain Bin Abdul Rashid	Member
Jude Philomen Benny	Member
Wee Joo Yeow	Member
Ivan Replumaz[1]	Member

Note:
1. Mr Ivan Replumaz was appointed as a member of the AC on 1 March 2018.

The Chairman has accounting, auditing and risk management expertise and experience. The other members provide expertise in accounting, legal and business issues. The Board is of the view that the members of the AC have relevant accounting or related financial management expertise or experience and are appropriately qualified to discharge the AC's functions.

The AC was briefed at each quarterly AC meeting by the External Auditor on changes in Financial Reporting Standards which are relevant to the Group's businesses. This allows the AC to keep abreast of accounting standards and issues which have a direct impact on financial statements. Members of the AC also attend seminars and courses organised by the Accounting and Corporate Regulatory Authority, the Singapore Institute of Directors and/or the Singapore Exchange Limited on relevant topics, costs of which are borne by the Company.

The AC has a set of terms of reference, the scope and authority of which include:

- Review of the quality and reliability of information prepared for inclusion in financial reports and any announcements of financial results;
- Review and report to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls;
- Review of scope and audit findings of Internal and External Auditors as well as management responses to them;
- Review the adequacy and effectiveness of the outsourced Internal Audit function;
- Evaluation of the nature and extent of non-audit services performed by External Auditor;
- Review of independence and objectivity of and recommendation of the appointment, re-appointment and removal of External Auditor;
- Approval of the remuneration and terms of engagement of External Auditor; and
- Review of Interested Person Transactions.

In addition, the AC also:

- Meets with the External and Internal Auditors, without the presence of Management, at least once a year to review and discuss the financial reporting process, system of internal controls, significant comments and recommendations; and
- Reviews and if required, investigates the matters reported via the whistle-blowing mechanism, by which staff and external parties who have business relationship with the Group may, in confidence, raise concerns about suspected improprieties including financial irregularities.

The AC has explicit authority to investigate any matter within its terms of reference, and access to sufficient resources to enable it to discharge its functions properly, including full access to, and co-operation by, Management, the Company Secretaries, the External Auditor and Internal Auditors for assistance as required. It has full discretion to invite any Director, member of Management and third parties to attend its meetings. It also has the authority to review its terms of reference and its own effectiveness annually and recommend necessary changes to the Board.

No former partner or director of the Company's existing auditing firm or auditing corporation:(a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation, was appointed to the AC.

AC Activities for the Year

The AC met 4 times during the year and the activities for the year, in accordance with its responsibilities and duties under its terms of reference, included the following:

a) *Financial Reporting*

The AC reviewed the quarterly and annual financial statements and financial announcements required by SGX-ST for recommendation to the Board for approval. The reviews focused on changes in accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, compliance with accounting standards, compliance with SGX-ST and other legal requirements.

The AC has reviewed the Control Self-Assessment performed by Management and made relevant enquiries on the key audit matters highlighted by the External Auditors. Where appropriate, the key audit matters were also reviewed by the AC on a quarterly basis as part of their review of the quarterly results. In addition, the AC reviewed and discussed the findings presented and related work performed by the External Auditors. The AC was satisfied that these key audit matters have been properly addressed and appropriately accounted for and disclosed in the financial statements.

For more information on the key audit matters please refer to pages 72 to 73 of this Annual Report.

b) *External Audit*

The AC discussed with the External Auditor the audit plan, and the report on the audit of the year-end financial statements; reviewed the External Auditor's management letter and Management's responses thereto; and reviewed the External Auditor's objectivity and independence from Management and the Company. During the year, the AC had one meeting with the External Auditor, without the presence of Management, to enable the External Auditor to privately raise issues encountered in the course of their work directly with the AC. A review of the incumbent External Auditor's competency and quality of the work, objectivity and independence was performed. The AC has also reviewed the aggregate amount of fees paid to the External Auditors for FY2018 and the breakdown of the fees paid in total for audit and non-audit services, and is satisfied that the value, volume and nature of non-audit services performed by the External Auditors would not affect their independence and objectivity. The fees payable in respect of audit and non-audit services provided by the External Auditor for FY2018 are disclosed in the notes to the financial statements. The AC has reviewed and is satisfied with the standard of the External Auditor's work. The AC has recommended the re-appointment of Ernst & Young LLP ("EY") as the Group's External Auditor at the forthcoming AGM. In appointing EY as auditor of the Group, the Company has complied with Rule 712 and Rule 715, read with Rule 716 of the SGX-ST Listing Manual.

c) *Internal Audit*

The AC reviewed the scope and major findings of internal audits carried out by the Internal Audit team during the year and Management's responses thereto. The AC also reviewed and approved the risk-based annual internal audit plan proposed by Internal Audit. During the year, the AC had one private session with the Internal Audit team, without the presence of Management, to discuss matters which may affect the independence, quality and robustness of their audits. Please refer to Principle (13) for an elaboration on Internal Audit.

d) *Risk Management*

The AC, together with the BRC, reviews the risk reports and materials; and the adequacy and effectiveness of the risk management system. Risk appetites for financial, operational and compliance risks have been established and endorsed by AC and BRC to facilitate timely and effective risk discussions and reporting between Management and the Board. Please refer to Principle (11) for an elaboration on AC's and BRC's assessment of the adequacy and effectiveness of risk management and internal controls systems.

e) *Interested Person Transactions ("IPT")*

Transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. During the year, approvals were sought from AC for IPTs in accordance with the IPT Manual. The AC also reviewed the results of the quarterly audits carried out by the Internal Audit team on interested person transactions for compliance with the SGX-ST Listing Manual and the Shareholders' Mandate obtained at the last AGM.

f) *Whistle-Blowing*

The AC oversees and reviews the whistleblowing programme implemented to strengthen corporate governance and ethical business practices across the business units. The policy and processes are set out in the Company's website and communicated to all staff via internal circular. Whistleblowers are provided with accessible channels to the AC Chairman, which include a secure phone hotline, and electronic and postal mailing addresses. The AC will direct the independent investigations of all cases reported and the adoption of appropriate remedial measures where warranted. During the year, the AC reviewed and was satisfied with the adequacy of the whistle-blowing programme instituted by the Company.

Corporate Governance Report

INTERNAL AUDIT

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Independence of the Internal Audit Function

The role of the Internal Auditors ("IA") is to assist the AC to ensure that the Group maintains a sound system of internal controls and risk management by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC and/or the BRC, and conducting regular in-depth audits of high risk areas. The Group's Internal Audit functions are outsourced to its parent company, KSL Group.

Staffed by suitably qualified executives, IA has unrestricted direct access to the AC and unfettered access to all the Group's documents, records, properties and personnel. The Head of IA's primary line of reporting is to the Chairman of the AC. Annually, the AC provides an appraisal of the performance of the Head of IA to KSL Group.

Adequacy of the Internal Audit Function Resources

IA prepares a risk-centric annual audit plan to review the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance, IT controls and risk management systems. IA carries out audits that address the controls and business processes in the Group. The AC reviews and approves the annual audit plan proposed by IA and periodically reviews the reports and findings of the IA. The AC also assesses the adequacy and effectiveness of the IA function, including the adequacy of the resources required and where necessary, the engagement of external resources to assist IA.

Qualifications and Experience of Internal Audit Staff

IA employs suitably qualified and experienced personnel who either possess a recognised diploma in Accounting or an equivalent professional qualification, or have working experience in a public accounting firm. In addition, they are Certified Internal Auditors ("CIA"), Chartered Accountants ("CA"), Chartered Certified Accountant ("ACCA") or Certified Information Systems Auditors ("CISA"). The certification bodies that govern these professional accreditations require their members to maintain a programme of continuing education. The professional competence of IA is maintained and upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations and industry trends.

Internal Audit Standards

The IA function adheres to the Code of Ethics and International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors' ("IIA"). Internal Audit focuses on determining whether the controls provide reasonable assurance of effective and efficient operations, as to reliability and integrity of financial data and reports, and compliance with laws, regulations and contracts. The Internal Audit plan is reviewed and approved by the AC. The Internal Audit Plan covers the examination and evaluation of the adequacy and effectiveness of internal control systems and the quality of compliance to the internal control systems which comprises key components of control environment, risk assessment process, operational control activities, information and communication system and monitoring practices.

The approach of Internal Audit is divided into four phases:

1. Document and update systems and procedures or policies;
2. Prepare and update detailed audit programmes, testing and draft report;
3. Discuss with auditee's management on draft report and findings; and
4. Report to AC and follow-up.

In addition, IA will suggest improvements in practices and procedures to eliminate inefficiencies, to report deficiencies and follow up with appropriate management to ensure the necessary corrective actions are taken and to report on a regular basis to the AC.

Annual review of adequacy and effectiveness of Internal Audit function

IA conducted an internal self-assessment for internal auditing work performed during the year, as part of its Quality Assurance and Improvement programme for the Internal Audit activity. IA also conforms to the standards of the IIA for validation by an independent external reviewer once every five years. The next external review will be conducted in FY2020.

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The Company is committed to treat all shareholders fairly and equitably to facilitate the exercise of their ownership rights and to provide them 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 Company employs various platforms to effectively engage the shareholders and the investment community, with an emphasis on timely, accurate, fair and transparent disclosure of information. Engagement with shareholders and other stakeholders takes many forms, including announcements of quarterly results and presentations, e-mail communications, publications and content on the Company's website. During the year under review, senior management met with investors, analysts and also held media conference calls to keep the market and investors apprised of the Group's corporate developments and financial performance.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNet and the press. To ensure a level playing field and provide confidence to shareholders, unpublished price-sensitive information is not selectively disclosed.

The Company ensures that shareholders have the opportunity to participate effectively and vote at shareholders' meeting. Shareholders are informed of shareholders' meetings through notices published in the newspaper and via SGXNet, and reports or circulars sent to all shareholders. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. Shareholders are also informed of the rules, including voting procedures, governing such meetings.

If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. A relevant intermediary which includes a corporation holding licences in providing nominee or custodial services and CPF Board, may appoint more than two proxies to attend and vote at the general meeting. The Company has not amended its Constitution to provide for absentia voting methods, which call for elaborate and costly implementation of a foolproof system, the need for which does not arise presently.

As recommended by the Code, all resolutions at general meetings will be voted by poll and conducted in the presence of independent scrutineers for greater transparency and efficiency in the voting process.

At shareholders' meetings, each distinct issue is proposed as a separate resolution. The results are announced in a timely manner after the general meeting via SGXNet.

The Chairman of the Board and each Board Committee are required to be present to address questions at general meetings of shareholders. The External Auditor will also be present at such meetings to assist the Directors in addressing shareholders' queries, if necessary. All the Directors attended the 2018 AGM.

The Company Secretaries prepares minutes of shareholders' meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request.

Pertinent information is regularly conveyed to the shareholders through SGXNet and the Company's website at http://www.posh.com.sg/.

The Company has not adopted a formal dividend policy. The Company pays dividends out of profits available for distribution and when there is sufficient cash available after taking into consideration the operating requirement and capital commitment of the Group. In light of the financial performance of the Company in FY2018, and cash preservation and financing of operations being key considerations, the Board has not proposed any dividend for FY2018.

Corporate Governance Report

DEALING IN SECURITIES

In compliance with Rule 1207 (19) of the SGX-ST Listing Manual, the Company has an internal code on dealings in the Company's shares by all Directors and employees of the Group.

All Directors and employees of the Group are prohibited from dealing in the Company's shares during the period commencing two weeks before the announcement of the Group's quarterly results, and one month before the announcement of its full year financial results, and ending on the date of such announcements.

Directors, officers and employees of the Group are prohibited from dealing in the Company's shares while in possession of unpublished price-sensitive information and to refrain from dealing in the Company's shares on short-term considerations.

INTERESTED PARTY TRANSACTIONS

Pursuant to Rule 907 of the Listing Manual of the SGX-ST the aggregate value of IPTs entered into during FY2018 are as follows:

Name of Interested Person	Aggregate Value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US$'000	Aggregate Value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) US$'000
KSL Corporate Services Pte Ltd	–	2,968
DP Shipbuilding & Engineering Pte Ltd	–	3,221
DDW PaxOcean Shipyard Pte Ltd	–	365
PaxOcean Engineering Zhuhai Co., Ltd	–	987
PACC Ship Managers Pte Ltd	–	552
PACC Shipping Phils Inc	–	364
Total	**–**	**8,457**

MATERIAL CONTRACTS

Except as disclosed under the section on IPTs above and in Note 28 (Related Party Transactions) of the Notes To Financial Statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Financial Contents

Directors' Statement

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of PACC Offshore Services Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and statements of financial position and changes in equity of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and statements of financial position and 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 2018 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 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Kuok Khoon Ean
Seow Kang Hoe, Gerald
Wu Long Peng (Alternate: Yong Hsin Yue (Appointed on 29 January 2019))
Jude Philomen Benny
Ma Kah Woh
Ahmad Sufian @ Qurnain Bin Abdul Rashid
Wee Joo Yeow
Ivan Replumaz

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except as described in the financial statements, 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 in or debentures of the Company or any other body corporate.

Directors' Statement

DIRECTORS' INTERESTS

According to the register kept by the Company for purposes of Section 164 of the Singapore Companies Act, Chapter 50, particulars of interest of Directors, who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, share options/awards of the Company and related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in the name of Director or nominee		Holdings in which Director is deemed to have an interest	
	As at 1.1.2018	As at 31.12.2018	As at 1.1.2018	As at 31.12.2018
Name of Director				
Ordinary Shares				
In the immediate and ultimate holding company - Kuok (Singapore) Limited				
Kuok Khoon Ean	–	**–**	5,700,000	**5,700,000**
Wu Long Peng	800,000	**800,000**	133,333	**133,333**
Seow Kang Hoe, Gerald	400,000	**400,000**	–	**–**
In the Company				
Kuok Khoon Ean	–	**–**	1,725,000	**1,725,000**
Wu Long Peng	5,626,542	**6,094,000**	–	**–**
Seow Kang Hoe, Gerald	8,078,043	**8,078,043**	–	**–**
Ahmad Sufian @ Qurnain Bin Abdul Rashid	1,020,000	**1,220,000**	–	**–**
Ma Kah Woh	200,000	**200,000**	–	**–**
Jude Philomen Benny	250,000	**250,000**	38,000	**38,000**
Wee Joo Yeow	500,000	**500,000**	–	**–**
Ivan Replumaz	–	**–**	–	**–**
FY2016 share awards grant under the POSH Performance Share Plan ("PSP")				
Seow Kang Hoe, Gerald	678,000	**678,000**	–	**–**
FY2017 share awards grant under the PSP				
Seow Kang Hoe, Gerald	880,000	**880,000**	–	**–**
FY2018 share awards grant under the PSP				
Seow Kang Hoe, Gerald	–	**1,283,400**	–	**–**
Options granted by Kuok (Singapore) Limited over shares it held in the Company				
Seow Kang Hoe, Gerald	–	**–**	3,750,000	**–**
Wu Long Peng	–	**–**	2,812,500	**–**

These options granted by Kuok (Singapore) Limited to the abovementioned Directors over existing shares of the Company are to be exercised during the period from 5 August 2015 to 4 August 2018 ("Option Exercise Period") at an exercise price of US$0.5333 per option share. These options have since lapsed.

Except as disclosed in this statement, no other Director who held office at the end of the financial year has 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.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Directors' Statement

SHARE BASED INCENTIVE PLANS

The Company has in place two share-based incentive plans namely the POSH Share Option Plan (the "SOP") and the POSH Performance Share Plan (the "PSP"), (collectively, the "Share Plans"). The Share Plans were approved by the shareholders of the Company at the Extraordinary General Meeting held on 28 March 2014.

The Company had adopted the Share Plans to reward, retain and motivate employees and Non-Executive Directors of the Group, as well as to align the interests of employees with the interests of the Group and its shareholders, thereby enhancing the long term growth of the Company and the Group. The Remuneration Committee administers the Share Plans.

SOP

Other information regarding the SOP is set out below:

(a) The first batch of 1,549,000 share options granted on 25 January 2017 shall be vested in accordance with the following vesting schedule:

- 25 January 2018 to 24 January 2019 – 50%
- 25 January 2019 to 24 January 2020 – 30%
- On or after 25 January 2020 – 20%

(b) The second batch of 797,000 share options granted on 30 November 2018 shall be vested in accordance with the following vesting schedule:

- 30 November 2019 to 29 November 2020 – 50%
- 30 November 2020 to 29 November 2021 – 30%
- On or after 30 November 2021 – 20%

(c) All options are to be settled by physical delivery of shares.

(d) The options granted expire after 10 years or upon cessation of the employment of the employees.

At the end of the financial year, details of the options granted under the SOP on the unissued ordinary shares of the Company are as follows:

Date of grant	Exercise price per share	Outstanding at 1 January 2018	Granted during the financial year ended 31 December 2018	Exercised	Forfeited / cancelled	Outstanding at 31 December 2018
25/01/17	S$0.34	1,360,000	–	–	83,000	1,277,000
30/11/18	S$0.1943	–	797,000	–	54,000	743,000

The aggregate number of options granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the SOP to the end of the financial year under review is 762,000, of which 272,000 have been forfeited or cancelled.

Except for the above, there are no other share options forfeited, expired, cancelled or exercised since commencement of the SOP to 31 December 2018.

Directors' Statement

SHARE BASED INCENTIVE PLANS (CONT'D)

PSP

Other information regarding the PSP is set out below:

(i) The first batch of 1,839,000 share awards granted on 22 January 2016 vested on the third anniversary of the date of grant (i.e. 22 January 2019).

(ii) The second batch of 1,873,000 share awards granted on 22 January 2016 was a one-time grant as an initial launch of the PSP scheme to key management personnel of the Company. The vesting of these share awards is not conditional on any performance criteria. The share awards vested on 31 December 2016.

(iii) The third batch of 1,962,000 share awards granted on 25 January 2017 shall vest on the third anniversary of the date of grant (i.e. 25 January 2020).

(iv) The fourth batch of 3,454,800 share awards granted on 30 November 2018 shall vest in accordance with the following vesting schedule:

- On first anniversary of the date of grant (i.e. 30 November 2019) – 30%
- On second anniversary of the date of grant (i.e. 30 November 2020) – 30%
- On third anniversary of the date of grant (i.e. 30 November 2021) – 40%

At the end of the financial year, details of the share awards granted under the PSP are as follows:

Date of grant	Batch	Outstanding at 1 January 2018	Granted during the financial year ended 31 December 2018	Vested since commencement of PSP to 31 December 2018	Forfeited since commencement of PSP to 31 December 2018	Outstanding at 31 December 2018
22/01/16	1	1,719,000	–	–	–	1,719,000
22/01/16	2	–	–	1,873,000	–	–
25/01/17	3	1,962,000	–	–	–	1,962,000
30/11/18	4	–	3,454,800	–	–	3,454,800

Details of share awards granted to an Executive Director of the Company under the PSP are as follows:

Name of director	Granted and not released as at 1 January 2018	Granted during the financial year ended 31 December 2018	Vested during the financial year ended 31 December 2018	Granted and not released as at 31 December 2018
Seow Kang Hoe, Gerald	1,558,000	1,283,400	–	2,841,400

308,000 share awards under the PSP have been granted to an employee of the parent company and its subsidiaries for the financial year under review.

No shares were issued by virtue of the exercise of options or the vesting of any performance share awards during the financial year.

There were no unissued shares under option at the end of the financial year.

No participant has received 5% or more of the total number of share options or share awards available under the Share Plans during the financial year.

Directors' Statement

AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and the results of their audits and reviewed the internal auditors' evaluation of the adequacy of the Group's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company and recommending these statements to the Board of Directors for approval;
- Reviewed the adequacy and effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management, and the reviews carried out by the external and internal auditors;
- Met with the external and internal auditors in private to discuss any matters that they believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost adequacy and effectiveness, and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor for re-appointment and approved the compensation of the external auditor;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

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 also conducted a review of interested person transactions.

The AC held four meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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

Directors' Statement

AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

SEOW KANG HOE, GERALD
Director

WU LONG PENG
Director

25 March 2019

Independent Auditor's Report

TO THE MEMBERS OF PACC OFFSHORE SERVICES HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PACC Offshore Services Holdings Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the 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.

In our opinion, the accompanying consolidated financial statements of the Group, the statements of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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 the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of vessels

We draw your attention to Note 2.6(a), Note 2.10 and Note 5. As disclosed in Note 5, management performed an impairment assessment on the vessels due to the presence of impairment indicators on these vessels as at 31 December 2018.

Management identified vessels whose carrying values had exceeded appraised values or had incurred operating losses during the financial year to be subjected for impairment assessment. Management has determined the recoverable amount based on the higher of the fair value less cost of disposal and value-in-use. The appraised values were based on open market values provided by an independent valuer. This area was significant to our audit as the total carrying amounts of the vessels amounted to US$996,447,000, representing 89% of the total non-current assets as at 31 December 2018 and there are significant management's judgements involved in determining the recoverable value of vessels. Based on management's assessment, net impairment charges of US$49,493,000 were recognised for the financial year ended 31 December 2018.

Our audit procedures included, amongst others, evaluating and assessing the assumptions and methodology used by management and the external independent valuers.

Independent Auditor's Report

TO THE MEMBERS OF PACC OFFSHORE SERVICES HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Key Audit Matters (cont'd)

Impairment assessment of vessels (cont'd)

In relation to value-in-use computations, we reviewed the robustness of management's budgeting process by comparing actual results achieved against previously forecasted budgets. We assessed the reasonableness of assumptions which the outcome of the impairment assessment is most sensitive to, such as charter rates, utilisation rates and the discount rate used in the computation. Together with our internal valuation specialists, we assessed the appropriateness of the discount rate used in the value-in-use computation.

In relation to recoverable amounts determined by appraised values, we considered the competence, capabilities and objectivity of management's external independent valuer and also assessed the appropriateness of the data and key assumptions used by the external valuer such as specification of vessels. We also engaged our internal valuation specialist to support us in assessing the reasonableness of the external valuer's valuation methodology and key assumptions used and considered the appropriateness of the open market values.

We further assessed the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.

Recoverability of trade receivables

We draw your attention to Note 2.6(b), Note 2.15 and Note 11. Trade receivable balances were significant to the Group as they represent 5% of the total assets on the statements of financial position. The industry in which the Group operates in remains challenging and this gives rise to increased risks in collection of trade receivables.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group's management supports subsidiaries in setting credit limits for customers and approves such limits above certain thresholds where applicable. The Group determines impairment of trade receivables by making debtor-specific assessment for credit-impaired debtors. For the remaining group of debtors, the Group provides for lifetime expected credit losses using a provision matrix. The provision rates are determined based on the Group's historical default rates analysed in accordance to days past due by grouping customers based on customer profiles, adjusted for current and forward-looking information. Trade receivables impairment assessment requires significant management judgment hence we determined that this is a key audit matter. Based on management's assessment, net impairment charges of US$3,825,000 on trade receivables were recognised for the financial year ended 31 December 2018.

We performed audit procedures, amongst others, obtained an understanding of the Group's processes and key controls relating to the monitoring of trade receivables including the process in determining whether a debtor is credit-impaired and the Group's processes on the implementation of SFRS(I) 9 expected credit loss model. We reviewed aging of receivables to identify collectability risks. We reviewed the key data sources and assumptions for data used in the determination of default rate and the current and forward-looking adjustment factor. We requested trade receivable confirmations, and assessed for collectability by way of obtaining evidence of receipts from the trade receivables subsequent to the year end. We had discussions with management on the recoverability of long outstanding debts, analysed trend of collections for particular trade debtors and reviewed legal case file for disputes.

We also assessed the adequacy of the note disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 11, Note 31(c) and Note 31(d).

Impairment of investments and amounts due from subsidiaries

The investment in subsidiaries are accounted for at cost less impairment losses in the Company's financial statements. These subsidiaries are vessel owning companies. The impairment assessment of the cost of impairment in subsidiaries and amount due from subsidiaries were significant to our audit due to the total carrying amount accounted to 88% of the Company's total assets as at 31 December 2018 and there are significant management's judgements involved in the impairment assessment process. Accordingly, we have determined this to be a key audit matter.

The Company performed impairment assessment for subsidiaries with indicators of impairment. Based on management's assessment, impairment charges of US$2,524,000 were recognised against investment in subsidiaries as at 31 December 2018.

Our audit procedures include obtaining an understanding of management's impairment assessment process. We assessed the outcome of the impairment assessment of vessels held as fixed assets as discussed in the preceding paragraphs and the reasonableness of management's consideration of other factors such as historical and current performances, financial position and the estimated future cash flows of the relevant subsidiaries in the determination of impairment of investment in subsidiaries.

Independent Auditor's Report

TO THE MEMBERS OF PACC OFFSHORE SERVICES HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Key Audit Matters (cont'd)

Impairment of investments and amounts due from subsidiaries (cont'd)

The Company provided for expected credit loss ("ECL") on amounts due from subsidiaries based on the general approach and the extent of loss allowance is dependent on the extent of credit deterioration since initial recognition. Based on management's assessment, net ECL allowance of US$53,156,000 on amount due from subsidiaries were recognised during the financial year ended 31 December 2018.

We obtained an understanding and reviewed the key data sources and assumptions used in the ECL model. We assessed the appropriateness of the Group's assumptions in determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages under the ECL general approach. We held discussions with management and corroborated the assumptions using historical data and publicly available information, where available, in relation to determination of default rate, loss exposure at default and forward-looking adjustments used by the Company. We checked the arithmetic computation of the loss allowance used by the Company in the ECL model. We also assessed the adequacy of note disclosures on the amounts due from subsidiaries in Note 12 and the related risk such as credit and liquidity risk in Note 31(c) and Note 31(d).

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 SFRS(I), 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

TO THE MEMBERS OF PACC OFFSHORE SERVICES HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors 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 Philip Ling Soon Hwa.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

25 March 2019

Statements of Financial Position

AS AT 31 DECEMBER 2018

	Note	Group 2018 US$'000	Group 31 December 2017 US$'000	Group 1 January 2017 US$'000	Company 2018 US$'000	Company 31 December 2017 US$'000	Company 1 January 2017 US$'000
Assets							
Non-Current Assets							
Goodwill	4	**–**	–	57,125	**–**	–	–
Fixed assets	5	**1,004,629**	1,111,975	1,184,927	**226**	346	96,638
Intangible assets	6	**597**	95	12	**420**	–	–
Due from joint ventures	12	**23,316**	31,877	21,834	**20,973**	27,050	21,834
Investment in subsidiaries	27	**–**	–	–	**110,140**	112,493	331,616
Interest in joint ventures	7	**70,788**	80,557	63,080	**35,989**	35,989	44,507
Receivables and other non-current assets	8	**5,896**	1,616	1,982	**–**	–	–
Derivatives	9	**10,197**	7,295	5,600	**2,862**	1,261	–
		1,115,423	1,233,415	1,334,560	**170,610**	177,139	494,595
Current Assets							
Consumables	10	**5,047**	3,609	1,677	**–**	–	–
Receivables and other current assets	11	**83,991**	83,241	79,693	**3,045**	5,877	3,443
Due from subsidiaries and joint ventures	12	**80,930**	75,061	71,490	**759,824**	806,578	860,585
Due from related companies	12	**91**	1,337	523	**1**	3	–
Cash and cash equivalents	13	**13,829**	17,088	15,058	**8,159**	12,511	3,850
		183,888	180,336	168,441	**771,029**	824,969	867,878
Fixed assets classified as held for sale	14	**–**	–	2,547	**–**	–	–
		183,888	180,336	170,988	**771,029**	824,969	867,878
Total Assets		**1,299,311**	1,413,751	1,505,548	**941,639**	1,002,108	1,362,473
Equity and Liabilities							
Equity Attributable to equity holders of the Company							
Share capital	15(a)	**827,201**	827,201	827,201	**827,201**	827,201	827,201
Treasury shares	15(b)	**(1,590)**	(1,447)	(1,828)	**(1,590)**	(1,447)	(1,828)
Accumulated (losses)/profit		**(471,631)**	(372,999)	(142,714)	**(416,321)**	(340,788)	14,602
Other reserves	16	**9,861**	7,428	5,600	**3,025**	1,394	–
		363,841	460,183	688,259	**412,315**	486,360	839,975
Non-controlling interest		**34**	(64)	(69)	**–**	–	–
Total Equity		**363,875**	460,119	688,190	**412,315**	486,360	839,975
Non-Current Liabilities							
Bank borrowings	17	**550,330**	584,461	439,225	**285,000**	295,000	200,000
Derivatives	9	**581**	–	–	**82**	–	–
Deferred tax liabilities		**12**	475	414	**–**	–	–
		550,923	584,936	439,639	**285,082**	295,000	200,000
Current Liabilities							
Payables and accruals	18	**87,182**	110,314	73,592	**19,187**	19,254	20,259
Advances received from customers	19	**285**	849	198	**–**	–	–
Due to subsidiaries and joint ventures	20	**62,940**	60,093	29,301	**34,493**	32,868	49,027
Due to related companies	20	**2,020**	5,602	2,505	**1,386**	4,407	2,402
Due to holding company	21	**650**	196	195	**654**	196	195
Bank borrowings	17	**216,041**	184,464	269,107	**185,400**	161,400	248,487
Provision for taxation		**15,395**	7,178	2,821	**3,122**	2,623	2,128
		384,513	368,696	377,719	**244,242**	220,748	322,498
Total Liabilities		**935,436**	953,632	817,358	**529,324**	515,748	522,498
Net Current (Liabilities)/Assets		**(200,625)**	(188,360)	(206,731)	**526,787**	604,221	545,380
Net Assets		**363,875**	460,119	688,190	**412,315**	486,360	839,975
Total Equity and Liabilities		**1,299,311**	1,413,751	1,505,548	**941,639**	1,002,108	1,362,473

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 US$'000	Group 2017 US$'000
Revenue	3	**299,400**	192,208
Cost of sales		**(266,407)**	(205,622)
Gross profit/(loss)		**32,993**	(13,414)
Other income	22(a)	**5,651**	6,867
Other expenses	22(b)	**(50,484)**	(169,092)
Allowance for doubtful debts, net – trade	11	**(3,825)**	(3,221)
Distribution costs		**(1,055)**	(1,146)
General and administrative expenses		**(32,167)**	(24,955)
Finance costs	23	**(29,172)**	(22,847)
Share of joint ventures' results		**(8,566)**	2,356
Loss before taxation	24	**(86,625)**	(225,452)
Taxation	25	**(11,684)**	(4,828)
Net loss for the year		**(98,309)**	(230,280)
Loss attributable to:			
Equity holders of the Company		**(98,326)**	(230,285)
Non-controlling interest		**17**	5
		(98,309)	(230,280)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
Fair value gain		**2,321**	1,695
Other comprehensive income, net of tax		**2,321**	1,695
Total comprehensive loss for the year		**(95,988)**	(228,585)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(96,005)**	(228,590)
Non-controlling interest		**17**	5
		(95,988)	(228,585)
Loss per share (cents per share) attributable to owners of the Company			
Basic	35	**(5.42)**	(12.70)
Diluted	35	**(5.42)**	(12.70)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Attributable to equity holders of the Company		
		Share Capital US$'000	Treasury Shares US$'000	Accumulated Losses US$'000
Balance at 31 December 2017 (under SFRS)		**827,201**	**(1,447)**	**(373,205)**
Adoption of SFRS(I) 1		**–**	**–**	**298**
Adoption of SFRS(I) 15		**–**	**–**	**(92)**
Balance at 31 December 2017 (under SFRS(I))		**827,201**	**(1,447)**	**(372,999)**
Adoption of SFRS(I) 9		**–**	**–**	**(306)**
Balance at 1 January 2018 (under SFRS(I))		**827,201**	**(1,447)**	**(373,305)**
Grant of equity-settled share options to employees		**–**	**–**	**–**
Incorporation of subsidiary		**–**	**–**	**–**
Purchase of treasury shares	15(b)	**–**	**(143)**	**–**
Net loss for the year		**–**	**–**	**(98,326)**
Other comprehensive income for the year		**–**	**–**	**–**
Total comprehensive loss for the year		**–**	**–**	**(98,326)**
Balance at 31 December 2018		**827,201**	**(1,590)**	**(471,631)**
Balance at 1 January 2017 (under SFRS)		827,201	(1,828)	(142,939)
Adoption of the SFRS(I) 1		–	–	298
Adoption of the SFRS(I) 15		–	–	(73)
Balance as at 1 January 2017 (under SFRS(I))		827,201	(1,828)	(142,714)
Treasury shares reissued pursuant to employee share plans	15(b)	–	419	–
Purchase of treasury shares	15(b)	–	(38)	–
Grant of equity-settled share options to employees		–	–	–
Net loss for the year		–	–	(230,285)
Other comprehensive income for the year		–	–	–
Total comprehensive loss for the year		–	–	(230,285)
Balance at 31 December 2017 (under SFRS(I))		827,201	(1,447)	(372,999)

Attributable to equity holders of the Company					
Other Reserves US$'000	**Exchange Reserve US$'000**	**Hedging Reserve US$'000**	**Employee Share Plan Reserve US$'000**	**Non-Controlling Interest US$'000**	**Total Equity US$'000**
7,726	**298**	**7,295**	**133**	**(64)**	**460,211**
(298)	**(298)**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**(92)**
7,428	**–**	**7,295**	**133**	**(64)**	**460,119**
–	**–**	**–**	**–**	**–**	**(306)**
7,428	**–**	**7,295**	**133**	**(64)**	**459,813**
112	**–**	**–**	**112**	**–**	**112**
–	**–**	**–**	**–**	**81**	**81**
–	**–**	**–**	**–**	**–**	**(143)**
–	**–**	**–**	**–**	**17**	**(98,309)**
2,321	**–**	**2,321**	**–**	**–**	**2,321**
2,321	**–**	**2,321**	**–**	**17**	**(95,988)**
9,861	**–**	**9,616**	**245**	**34**	**363,875**
5,898	298	5,600	–	(69)	688,263
(298)	(298)	–	–	–	–
–	–	–	–	–	(73)
5,600	–	5,600	–	(69)	688,190
–	–	–	–	–	419
–	–	–	–	–	(38)
133	–	–	133	–	133
–	–	–	–	5	(230,280)
1,695	–	1,695	–	–	1,695
1,695	–	1,695	–	5	(228,585)
7,428	–	7,295	133	(64)	460,119

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to equity holders of the Company						
Company	Note	Share Capital US$'000	Treasury Shares US$'000	Retained Profits/ Accumulated (Losses) US$'000	Other Reserves US$'000	Hedging Reserve US$'000	Employee Share Plan Reserve US$'000	Total Equity US$'000
Balance at 1 January 2018		**827,201**	**(1,447)**	**(340,788)**	**1,394**	**1,261**	**133**	**486,360**
Purchase of treasury shares	15(b)	**–**	**(143)**	**–**	**–**	**–**	**–**	**(143)**
Grant of equity-settled share options to employees		**–**	**–**	**–**	**112**	**–**	**112**	**112**
Net loss for the year		**–**	**–**	**(75,533)**	**–**	**–**	**–**	**(75,533)**
Other comprehensive income		**–**	**–**	**–**	**1,519**	**1,519**	**–**	**1,519**
Total comprehensive loss for the year		**–**	**–**	**(75,533)**	**1,519**	**1,519**	**–**	**(74,014)**
Balance at 31 December 2018		**827,201**	**(1,590)**	**(416,321)**	**3,025**	**2,780**	**245**	**412,315**
Balance at 1 January 2017		827,201	(1,828)	14,602	–	–	–	839,975
Treasury shares reissued pursuant to employee share plans	15(b)	–	419	–	–	–	–	419
Purchase of treasury shares	15(b)	–	(38)	–	–	–	–	(38)
Grant of equity-settled share options to employees		–	–	–	133	–	133	133
Net loss for the year		–	–	(355,390)	–	–	–	(355,390)
Other comprehensive income		–	–	–	1,261	1,261	–	1,261
Total comprehensive loss for the year		–	–	(355,390)	1,261	1,261	–	(354,129)
Balance at 31 December 2017		827,201	(1,447)	(340,788)	1,394	1,261	133	486,360

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flow

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group	
	2018 US$'000	2017 US$'000
Cash Flow from Operating Activities		
Loss before taxation	**(86,625)**	(225,452)
Adjustments for:		
Amortisation of prepayments	**322**	364
Amortisation of intangible assets	**303**	128
Depreciation of fixed assets	**61,432**	63,625
Grant of equity-settled share options to employees	**112**	133
Allowance for doubtful debts, net – trade	**3,825**	3,221
Impairment of fixed assets	**49,493**	108,255
Impairment of goodwill	**–**	57,125
Loss on disposal of fixed assets	**646**	3,133
Share of joint ventures' results	**8,566**	(2,356)
Unrealised exchange gain	**(44)**	(181)
Interest expense	**29,172**	22,847
Interest income	**(1,778)**	(1,980)
Operating cash flow before working capital changes	**65,424**	28,862
Increase in consumables	**(1,438)**	(1,932)
Increase in receivables and other assets	**(9,361)**	(6,958)
(Decrease)/increase in due to related companies	**(1,655)**	2,231
Increase in payables and accruals	**6,014**	17,934
Cash generated from operating activities	**58,984**	40,137
Interest paid	**(29,171)**	(21,553)
Interest received	**1,656**	2,171
Income taxes paid	**(3,930)**	(410)
Net cash generated from operating activities	**27,539**	20,345
Cash Flow from Investing Activities		
Acquisition of intangible assets	**(658)**	(211)
Acquisition of fixed assets	**(35,800)**	(91,571)
Proceeds from disposal of fixed assets	**13,016**	4,445
(Decrease)/increase in due to related companies	**(682)**	51
(Increase)/decrease in due from joint ventures	**(4,556)**	8,254
Increase in interest in joint venture	**–**	(20)
Net cash used in investing activities	**(28,680)**	(79,052)
Cash Flow from Financing Activities		
Capital injection from non-controlling interest of a subsidiary	**81**	–
Proceeds from term loan	**6,510**	73,300
Repayment of term loan	**(23,064)**	(20,620)
Proceeds from revolving credit facilities	**14,000**	7,913
Purchase of treasury shares	**(143)**	(38)
Increase in due to holding company	**454**	1
Net cash (used in)/generated from financing activities	**(2,162)**	60,556
Net (decrease)/increase in cash and cash equivalents	**(3,303)**	1,849
Effect of exchange rate changes on cash and cash equivalents	**44**	181
Cash and cash equivalents at beginning of year	**17,088**	15,058
Cash and cash equivalents at end of year (Note 13)	**13,829**	17,088

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

The financial statements of the Group and the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors passed on 25 March 2019.

The Company, which is a limited liability company, is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at No. 1 Kim Seng Promenade, #07-02 and #06-01 Great World City, Singapore 237994 respectively.

The principal activities of the Company are in the business of general shipping and investment holding. The principal activities of the subsidiaries, which provide offshore marine support services, are disclosed in Note 27 to the financial statements.

The immediate and ultimate holding company is Kuok (Singapore) Limited, incorporated in the Republic of Singapore.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group, statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (“SFRS”). These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

The financial statements are presented in United States Dollars (“US$” or “USD”) and all values are rounded to the nearest thousand (US$’000) unless otherwise indicated.

The financial statements have been prepared on a going concern basis. The Group is in net current liability position of US$200,625,000 (2017: US$188,360,000) as at 31 December 2018 mainly due to uncommitted revolving loans of US$175,400,000 (2017: US$161,400,000) being due for repayment in the following 12 months. The uncommitted revolving loans outstanding as at 31 December 2018 have been classified as current liability as this funding is subject to the banks’ continued approval to be refinanced. These uncommitted facilities agreements expire in July 2021. In the opinion of the Directors, the Group will be able to generate sufficient cash flows from operations and, coupled with continued funding from lenders, has sufficient funding to meet its financial obligations as and when they fall due.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (“SFRS(I)”)

The financial statements for the year ended 31 December 2018 are the first set of financial statements that the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group and the Company’s date of transition to SFRS(I).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the exemption to deem the cumulative currency translation differences for all foreign operations to be zero as at the date of transition, 1 January 2017.

As a result, an amount of US$298,000 was reclassified from other reserves to accumulated losses as at 1 January 2017.

The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9, which is effective for annual periods beginning on or after 1 January 2018. The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

<u>Classification and measurement</u>

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retropectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

<u>Impairment</u>

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of US$306,000 which has resulted in a corresponding increase in the accumulated losses as at 1 January 2018. The additional estimated credit loss on adoption of SFRS(I) 9 on the Company's non-trade amounts due from subsidiaries and joint ventures is immaterial.

The initial application of SFRS(I) 9 does not have any reclassification effect to the Group's and the Company's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) to apply the following practical expedient in accordance with the transition provision in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been the same.

The principal activities of the Group are the provision of offshore marine support services and the Group's revenue represents income derived from the deployment of vessels. The performance obligations under the charter contracts are satisfied over the duration of the charter period.

As a result of adopting SFRS(I) 15, the net loss for the financial year ended 31 December 2017 increased by US$19,000.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new standards on 1 January 2017 to the consolidated balance sheet of the Group.

	1 January 2017 (under SFRS) US$'000	SFRS(I) 1 adjustments US$'000	SFRS(I) 15 adjustments US$'000	1 January 2017 (under SFRS(I)) US$'000
Non-current assets				
Investment in joint ventures	63,189	–	(109)	63,080
Total non-current assets	**1,334,669**	**–**	**(109)**	**1,334,560**
Current assets				
Receivables and other current assets	79,626	–	67	79,693
Total current assets	**170,921**	**–**	**67**	**170,988**
Equity				
Accumulated losses	(142,939)	298	(73)	(142,714)
Exchange reserve	298	(298)	–	–
Total equity	**688,263**	**–**	**(73)**	**688,190**
Current liabilities				
Payables and accruals	73,561	–	31	73,592
Total current liabilities	**377,688**	**–**	**31**	**377,719**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new standards on 31 December 2017 and 1 January 2018 to the consolidated balance sheet of the Group.

	31 December 2017 (under SFRS) US$'000	SFRS(I) 1 adjustments US$'000	SFRS(I) 15 adjustments US$'000	31 December 2017 (under SFRS(I)) US$'000	SFRS(I) 9 adjustments US$'000	1 January 2018 (under SFRS(I)) US$'000
Non-current assets						
Investment in joint ventures	80,668	–	(111)	80,557	–	80,557
Total non-current assets	**1,233,526**	**–**	**(111)**	**1,233,415**	**–**	**1,233,415**
Current assets						
Receivables and other current assets	83,203	–	38	83,241	(306)	82,935
Total current assets	**180,298**	**–**	**38**	**180,336**	**(306)**	**180,030**
Equity						
Accumulated losses	(373,205)	298	(92)	(372,999)	(306)	(373,305)
Exchange reserve	298	(298)	–	–	–	–
Total equity	**460,211**	**–**	**(92)**	**460,119**	**(306)**	**459,813**
Current liabilities						
Payables and accruals	110,295	–	19	110,314	–	110,314
Total current liabilities	**368,677**	**–**	**19**	**368,696**	**–**	**368,696**

There was no material impact on the Company's balance sheets as at 1 January 2017, 31 December 2017 and 1 January 2018 arising from the first-time adoption of SFRS(I).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new standards to the consolidated statement of comprehensive income of the Group for the year ended 31 December 2017.

Consolidated statement of comprehensive income

	2017 (under SFRS) US$'000	SFRS(I) 15 adjustments US$'000	2017 (under SFRS(I)) US$'000
Revenue	192,237	(29)	192,208
Cost of sales	(205,635)	13	(205,622)
Share of joint ventures' results	2,359	(3)	2,356
Net loss for the period	**(230,261)**	**(19)**	**(230,280)**
Loss attributable to:			
Equity holders of the Company	(230,266)	(19)	(230,285)
Non-controlling interests	5	-	5
	(230,261)	**(19)**	**(230,280)**
Total comprehensive loss for the period	**(228,566)**	**(19)**	**(228,585)**
Loss attributable to:			
Equity holders of the Company	(228,571)	(19)	(228,590)
Non-controlling interests	5	-	5
	(228,566)	**(19)**	**(228,585)**

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**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term interests in Associates and Joint Ventures*	1 January 2019
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Annual improvements to SFTS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. lease liability) and an asset representing the rights to use the leased assets during the lease term (i.e. right of use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

SFRS(I) 16 *Leases* *(cont'd)*

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes rising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019. On the adoption of SFRS(I) 16, the Group expects an increase in total assets and total liabilities and gearing ratio.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. 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 either fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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 ("CGU") 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 CGUs to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.

2.5 Transactions with non-controlling interests

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

2.6 Significant accounting judgments and estimates

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

Judgment made in applying accounting policies

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant accounting judgments and estimates (cont'd)

Determination of 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, judgment 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.

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.

(a) Impairment of vessels

The Group determines the recoverable amount of vessels based on the higher of its fair value less costs of disposal and its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or CGU by applying suitable discount rates to calculate the present value of those cash flows. When fair value less costs of disposal is used, management engages the services of professional valuers to determine the fair values using valuation techniques which involve the use of estimates and assumptions reflective of current market conditions. The carrying amount of the Group's vessels is disclosed in Note 5.

(b) Recoverability of trade receivables

The Group determines impairment of trade receivables by making debtor-specific assessment for credit-impaired debtors. In addition, the Group uses a provision matrix to calculate ECL for the remaining trade receivables. The provision rates are based on days past due for groupings of customers based on customer profiles.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information such as market data specific to the debtors. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amount of the Group's trade receivables and information about the ECL are disclosed in Note 11 and Note 31(c), respectively.

(c) Impairment of investments and amounts due from subsidiaries

The Company assesses at the end of each reporting period whether there is any objective evidence that the investments in subsidiaries are impaired. Management considers factors such as the historical and current performances and the outcome of the impairment assessment of vessels.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the subsidiary and choose suitable discount rates in order to calculate the present value of those cash flows. The investments in subsidiaries, including their carrying amount and their related impairment as at 31 December 2018 are disclosed in Note 27.

In relation to amounts due from subsidiaries, management provides for ECL based on the general approach and the extent of loss allowance is dependent on consideration of many factors, amongst others, the extent of credit deterioration since initial recognition, information and data that indicate the credit quality of the subsidiaries and the probability of default, amounts that are expected to be recovered in a default and adjustment for forward-looking information. The amounts due from subsidiaries, including their carrying amount and their related impairment as at 31 December 2018 are disclosed in Note 12.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Foreign currency

The financial statements are presented in USD, 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 determined.

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, which 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.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of joint ventures that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.8 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the fixed assets. The cost of an item of fixed assets is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of fixed assets are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other costs for repairs and maintenance and replacement of equipment are recognised in profit or loss as incurred.

Vessels under construction included in fixed assets are not depreciated as these assets are not yet available for use.

Cost includes the cost of any major enhancement which increases the future benefits from the vessels beyond their previously assessed standard of performance and is written off over the vessels' remaining useful lives.

Depreciation of new vessels is calculated utilising the straight-line method to write off the cost, less estimated scrap value over their estimated useful lives of 20 to 30 years, whilst for vessels purchased second-hand, depreciation is calculated utilising the straight-line method to write off the cost, less estimated scrap value over their remaining useful lives.

Drydocking costs, which enhance the useful lives of vessels, are capitalised in the month in which they are incurred and amortised over periods between 2 to 3 years until the next drydocking.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Fixed assets (cont'd)

For acquisitions and disposals of vessels and drydocking costs during the financial year, depreciation and amortisation are provided from the day of acquisition and to the day before disposal. Fully depreciated assets are retained in the books until they are no longer in use.

Depreciation is computed on a straight-line basis over the estimated useful lives of the other assets from the month of acquisition to the month before disposal as follows:

Office equipment	-	5 years
Computer hardware	-	3 years
Furniture and fittings	-	10 years
Motor vehicles	-	5 years
Renovation	-	3 years
Plant and machinery	-	3 – 5 years

The carrying values of fixed assets 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 fixed assets is de-recognised 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 de-recognised.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

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.

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 de-recognised.

Costs relating to computer software acquired, which are not an integral part of related hardware, are capitalised and amortised on a straight-line basis over the useful life of 3 years.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 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 CGU'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 CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the forecast periods.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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. Impairment losses relating to goodwill cannot be reversed in future periods.

2.11 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.

2.12 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. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Joint arrangements (cont'd)

The Group accounts for its investments in joint ventures using the equity method from the date on which it becomes a joint venture. 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 for 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 a joint venture company's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

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

Where the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the 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 interest in its joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that its investment in the joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the joint venture and its carrying value and recognises the amount in profit or loss.

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

2.13 Prepayments

Prepayments comprise primarily advances paid for charter hire of vessels. The costs incurred are amortised over the period of the charter hire contract.

2.14 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.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments can be categorised as follows:

i. Amortised costs

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

ii. Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

iii. Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not of a hedging relationship is recognised in profit or loss in the period in which it arises.

De-recognition

A financial asset is de-recognised 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.

(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

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 de-recognised and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or has expired. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16 Consumables

Consumables include consumable stores such as bunkers and ship provisions, are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all obsolete and slow-moving items.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with financial institutions that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

2.18 Provisions

Provisions are recognised when the Group and the Company have 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.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 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) Employee share plans

Employees of the Group receive remuneration in the form of share options and performance 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 options at the date on which the options 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 plan 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 options which 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 the period and is recognised in employee benefits expense.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. Accrual is made for the estimated liability for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

(d) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management personnel are considered key management personnel.

2.21 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 or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss over the lease term on a straight-line basis. The Group's operating leases primarily relate to the rental of its office premises.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as charter hire income. The accounting policy for charter hire income is set out in Note 2.23. Contingent charter hire income is recognised as revenue in the period in which it is earned.

2.22 Non-current assets held-for-sale

Non-current assets classified as 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. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Fixed assets once classified as held-for-sale are not depreciated.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Revenue

(a) Charter hire income

Charter hire income is recognised as operating lease income in accordance with SFRS(I) 1-17 Leases. The Group has apportioned consideration from charter hire contracts between the lease and non-lease components (i.e. charter hire related income) based on their relative stand-alone selling prices. In the determination of relative stand-alone selling prices, consideration is made to prices and rates stated in the charter hire contracts and bareboat charter rates observed in the market.

Revenue from the operating lease component of charter hire is recognised on a time-apportioned basis over the charter hire period. The charters may give rise to mobilisation and demobilisation services which are necessary for the Group to fulfil obligations under the charter hire contracts. Charter hire, mobilisation and demobilisation income are collectively recognised over the charter hire period. Related costs of mobilisation and demobilisation are recognised over the charter hire period.

(b) Charter hire related income

Charter hire related income is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue from provision of crew and technical services and meals and accommodations services are recognised over time as the services are provided and the benefits are consumed by the customer, which are generally on a time-apportioned basis in the case for crew and technical services, and for meals and accommodation, based on amounts consumed by customer.

Charter ancillary service income is recognised at a point in time when services are completed.

Ship management fee income is recognised over time when services are rendered.

Consideration from customers in relation to both charter hire income and charter hire related income are billed to the customers on a monthly basis according to the terms stated in the contract and the Group's credit term policies.

(c) Interest income

Interest income is recognised over time using the effective interest method.

2.24 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 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 goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and 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 the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and 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 in 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

Revenue, 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.

2.25 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.

2.26 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 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 statement of financial position of the Group.

2.28 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedge items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months.

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedge reserve and reclassified to profit and loss when the hedged interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit and loss.

When the cash flow hedge is discontinued, the cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flow occur if the hedged future cash flows are still expected to occur or reclassified to profit or loss immediately if the hedged future cash flows are no longer expected to occur.

The following hedges-in-placed as at 31 December 2017 qualified respectively as cash flow hedges under SFRS(I) 9. The Group's management strategies and hedge documentation are aligned with the requirements of SFRS(I) 9 and are thus treated as continuing hedges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their service which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Related parties

A related party is defined as follows:

(a) a person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) an entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is controlled or jointly controlled by a person identified in (a); or

(vi) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3 REVENUE

	2018	2017
	US$'000	US$'000
Disaggregation of revenue		
Charter hire income	**120,963**	74,122
Charter hire related income		
- Mobilisation and demobilisation	**12,174**	10,258
- Provision of crew and technical services	**122,621**	85,049
- Meals and accommodations	**33,053**	15,587
- Charter ancillary services	**6,978**	4,242
- Ship management	**3,611**	2,950
	178,437	118,086
	299,400	192,208

The Group's revenue by business segments are disclosed in Note 29.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 GOODWILL

The carrying amounts of goodwill were allocated as follows:

	Group		
	2018 **US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Transportation and installation	**–**	–	57,125

Impairment testing on goodwill

The recoverable amounts of the CGUs had been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period were as follows:

	2018 **%**	2017 %
Discount rates	**–**	8.0
Growth rates	**–**	2.0

The calculations of value in use for the CGUs were most sensitive to the following assumptions:

(a) Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation was based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC took into account both debt and equity. The cost of equity was derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

(b) Growth rates – The forecasted growth rates were based on management's estimation derived from past experience and external sources of information available.

(c) Both charter and utilisation rates were based on reference to current trend and historical performance.

Impairment recognised

In the prior financial year, impairment of US$57,125,000 was recognised to write-down in full the carrying amount of the transportation and installation CGU. Impairment of goodwill amounting to US$57,125,000 was recognised in "Other expense, net" line of the consolidated statement of comprehensive income in 2017.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 FIXED ASSETS

Group	Vessels US$'000	Office equipment US$'000	Computer hardware US$'000	Furniture and fittings US$'000
Cost				
At 1 January 2017	1,497,910	138	839	256
Additions	18,618	11	64	9
Transfers from vessels under construction	165,684	–	–	–
Disposals/write-offs	(33,792)	–	(236)	–
Impairment	–	–	–	–
At 31 December 2017 and 1 January 2018	1,648,420	149	667	265
Additions	9,247	1	101	22
Transfers from vessels under construction	31,000	–	–	–
Disposals/write-offs	(39,656)	–	(11)	–
At 31 December 2018	**1,649,011**	**150**	**757**	**287**
Accumulated depreciation and impairment				
At 1 January 2017	431,178	94	326	195
Depreciation for the year	59,545	24	119	25
Impairment	103,893	–	–	–
Disposals/write-offs	(22,672)	–	(8)	–
At 31 December 2017 and 1 January 2018	571,944	118	437	220
Depreciation for the year	57,170	21	172	9
Impairment	49,493	–	–	–
Disposals/write-offs	(26,043)	–	(10)	–
At 31 December 2018	**652,564**	**139**	**599**	**229**
Net book value				
At 31 December 2018	**996,447**	**11**	**158**	**58**
At 31 December 2017	1,076,476	31	230	45
At 1 January 2017	1,066,732	44	513	61

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Motor vehicles US$'000	Renovation US$'000	Vessels under construction US$'000	Drydocking cost US$'000	Plant and machinery US$'000	Total US$'000
344	665	113,122	9,888	862	1,624,024
–	242	88,107	3,297	20	110,368
–	–	(165,684)	–	–	–
–	–	–	(1,022)	(204)	(35,254)
–	–	(4,362)	–	–	(4,362)
344	907	31,183	12,163	678	1,694,776
189	151	55	6,601	1,020	17,387
–	–	(31,000)	–	–	–
(199)	–	(165)	(7,084)	–	(47,115)
334	**1,058**	**73**	**11,680**	**1,698**	**1,665,048**
171	366	–	6,321	446	439,097
76	187	–	3,547	102	63,625
–	–	–	–	–	103,893
–	–	–	(1,022)	(112)	(23,814)
247	553	–	8,846	436	582,801
78	212	–	3,651	119	61,432
–	–	–	–	–	49,493
(199)	–	–	(7,055)	–	(33,307)
126	**765**	**–**	**5,442**	**555**	**660,419**
208	**293**	**73**	**6,238**	**1,143**	**1,004,629**
97	354	31,183	3,317	242	1,111,975
173	299	113,122	3,567	416	1,184,927

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 FIXED ASSETS (CONT'D)

Company	Office equipment US$'000	Computer hardware US$'000	Furniture and fittings US$'000	Motor vehicles US$'000	Renovation US$'000	Vessels under construction US$'000	Total US$'000
Cost							
At 1 January 2017	128	316	234	199	399	96,041	97,317
Additions	–	3	–	–	38	66,570	66,611
Transfer to subsidiaries	–	–	–	–	–	(166,667)	(166,667)
Impairment	–	–	–	–	–	4,056	4,056
At 31 December 2017 and 1 January 2018	128	319	234	199	437	–	1,317
Additions	–	8	11	189	–	–	208
Disposals/write-offs	–	(5)	–	(199)	–	–	(204)
At 31 December 2018	**128**	**322**	**245**	**189**	**437**	**–**	**1,321**
Accumulated depreciation							
At 1 January 2017	84	119	192	153	131	–	679
Depreciation for the year	24	64	22	40	142	–	292
At 31 December 2017 and 1 January 2018	108	183	214	193	273	–	971
Depreciation for the year	18	113	5	42	150	–	328
Disposals/write-offs	–	(5)	–	(199)	–	–	(204)
At 31 December 2018	**126**	**291**	**219**	**36**	**423**	**–**	**1,095**
Net book value							
At 31 December 2018	**2**	**31**	**26**	**153**	**14**	**–**	**226**
At 31 December 2017	20	136	20	6	164	–	346
At 1 January 2017	44	197	42	46	268	96,041	96,638

Assets pledged as security

During the year, the Group's vessels with an aggregate carrying value of US$487,212,000 (31 December 2017: US$495,952,000, 1 January 2017: US$398,859,000) were mortgaged to secure the Group's term loans (Note 17).

Impairment of vessels and vessels under construction

During the financial year, the Group carried out a review of the recoverable amount of its vessels and vessels under construction as there were indicators of impairment, such as oversupply of vessels. An impairment of US$51,987,000 (2017: US$103,893,000) and US$Nil (2017: US$4,362,000), representing the write-down of these vessels and vessels under construction respectively to their recoverable amounts was recognised. The Group also reversed impairment loss of US$2,494,000 recognised in 2017 on certain vessels on long term charters. The net impairment amount of US$49,493,000 was recognised in "Other expenses, net" line item of Statement of Comprehensive Income for the financial year ended 31 December 2018. The segments to which the impairment losses on vessels relate to are disclosed in Note 29.

The recoverable amounts of these vessels were based on the higher of fair value less cost of disposal and value in use. The fair value less cost of disposal was determined by an independent valuer. The market comparison method was adopted in deriving the valuations and fair value measurement is categorised as Level 2 on the fair value hierarchy.

The value in use computations are used where discounted cash flows are prepared based on the remaining useful lives of vessels, with key assumptions relating to discount rates, vessel utilisation rates and charter rates. The pre-tax discount rate applied to value in use computations was 6.2% per annum. Vessel utilisation rates and charter rates are based on references to current trends and historical performances.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6 INTANGIBLE ASSETS

The intangible assets comprise separately acquired software.

	Group US$'000	Company US$'000
Cost		
At 1 January 2017	911	649
Addition	211	–
At 31 December 2017 and 1 January 2018	1,122	649
Addition	805	630
At 31 December 2018	**1,927**	**1,279**
Accumulated amortisation		
At 1 January 2017	899	649
Amortisation	128	–
At 31 December 2017 and 1 January 2018	1,027	649
Amortisation	303	210
At 31 December 2018	**1,330**	**859**
Net carrying amount		
At 31 December 2018	**597**	**420**
At 31 December 2017	95	–

The intangible assets have a remaining amortisation period of 1-2 years (2017: 1 year). The amortisation of intangible assets is included in the "General and administrative expenses" line item in profit or loss.

7 INTEREST IN JOINT VENTURES

	Group			Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Unquoted equity investments, at cost	**57,644**	57,644	57,624	**39,338**	39,338	39,338
Impairment	**–**	–	–	**(28,696)**	(28,696)	(20,178)
	57,644	57,644	57,624	**10,642**	10,642	19,160
Share of post-acquisition reserves	**(330)**	11,832	(755)	**–**	–	–
Deferred income	**(11,873)**	(14,266)	(19,136)	**–**	–	–
Receivables from a joint venture	**25,347**	25,347	25,347	**25,347**	25,347	25,347
	70,788	80,557	63,080	**35,989**	35,989	44,507

In the prior financial year, management performed impairment testing for the Company's investment in certain joint ventures. Based on assessment of the joint ventures' historical and current performance, estimated value and probability of future cash flows, the Company had made an allowance for impairment against the respective investments amounting to US$8,518,000.

Deferred income relates to unrealised gains on disposal of vessels to joint ventures. Receivables from a joint venture arose from the disposal of vessels to a joint venture for which repayment is neither planned nor likely to occur in the foreseeable future.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 INTEREST IN JOINT VENTURES (CONT'D)

The joint ventures are as follows:

Name of Joint Venture	Country of Incorporation	Proportion of Ownership Interest 2018 %	31 December 2017 %	1 January 2017 %	Principal Activities
Pacific Workboats Pte. Ltd.[1]	Singapore	**50.0**	50.0	50.0	Owner and operator of vessels
POSH Havila Pte. Ltd.[5]	Singapore	**50.0**	50.0	50.0	Owner and operator of vessels
Nimitrans Pte. Ltd.[1]	Singapore	**50.0**	50.0	50.0	Owner and operator of vessels
POSH Terasea Pte. Ltd. and its subsidiaries[1]	Singapore	**50.0**	50.0	50.0	Owner and operator of vessels
PT Win Offshore[2]	Indonesia	**49.0**	49.0	49.0	Owner and operator of vessels
PT Mandiri Abadi Maritim[2]	Indonesia	**49.0**	49.0	49.0	Owner and operator of vessels
Servicios Maritimos Gosh, S.A.P.I. de C.V.[3]	Mexico	**73.5**	73.5	73.5	Offshore business
PACC Offshore Mexico S.A. de C.V.[3]	Mexico	**49.0**	49.0	49.0	Offshore business
Servicios Maritimos POSH, S.A.P.I. de C.V. and its subsidiaries[3]	Mexico	**49.0**	49.0	49.0	Offshore business
POSH Middle East Marine Services LLC[4]	Abu Dhabi	**49.0**	49.0	–	Offshore business (incorporated on 8 May 2017)

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by RSM Indonesia

(3) Not required to be audited in accordance with the laws of the country of incorporation

(4) Audited by Alliott Hadi Shahid

(5) POSH Havila Pte. Ltd. is in the process of winding up as at 31 December 2018

As at the end of the respective reporting periods, the carrying amounts of the Group's interest in joint ventures that are not individually material are US$3,298,000 (31 December 2017: US$2,295,000, 1 January 2017: US$2,683,000) and their aggregate information are as follows:

	Group 2018 US$'000	Group 2017 US$'000
Profit/(loss) after taxation – representing total comprehensive income/(loss)	**969**	(26,828)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 INTEREST IN JOINT VENTURES (CONT'D)

The activities of the joint ventures are strategic to the Group's activities. The summarised financial information in respect of Pacific Workboats Pte. Ltd. and POSH Terasea Pte. Ltd. and its subsidiaries ("POSH Terasea Group") and a reconciliation with the carrying amounts of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position

Group	Pacific Workboats Pte. Ltd. US$'000	POSH Terasea Group US$'000
At 31 December 2018		
Cash and cash equivalents	**782**	**15,621**
Current assets	**10,593**	**16,253**
Non-current assets	**73,237**	**152,497**
Total assets	**84,612**	**184,371**
Trade and other payables	**334**	**643**
Current liabilities (excluding trade and other payables)	**3,497**	**46,520**
Non-current liabilities	**6,230**	**106,167**
Total liabilities	**10,061**	**153,330**
Net assets	**74,551**	**31,041**
Group's effective interest	**50%**	**50%**
Group's share of net assets	**37,276**	**15,521**
Other adjustment	**–**	**14,693**
Carrying amount of investment	**37,276**	**30,214**
At 31 December 2017		
Cash and cash equivalents	935	34,510
Current assets	10,375	26,805
Non-current assets	79,374	183,843
Total assets	90,684	245,158
Trade and other payables	760	5,444
Current liabilities (excluding trade and other payables)	4,647	69,006
Non-current liabilities	6,582	115,041
Total liabilities	11,989	189,491
Net assets	78,695	55,667
Group's effective interest	50%	50%
Group's share of net assets	39,348	27,834
Other adjustment	–	11,080
Carrying amount of investment	39,348	38,914

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 INTEREST IN JOINT VENTURES (CONT'D)

Summarised statement of financial position (cont'd)

Group	Pacific Workboats Pte. Ltd. US$'000	POSH Terasea Group US$'000
At 1 January 2017		
Cash and cash equivalents	904	11,195
Current assets	10,211	11,167
Non-current assets	90,955	205,832
Total assets	102,070	228,194
Trade and other payables	219	1,056
Current liabilities (excluding trade and other payables)	10,942	42,486
Non-current liabilities	7,124	161,573
Total liabilities	18,285	205,115
Net assets	83,785	23,079
Group's effective interest	50%	50%
Group's share of net assets	41,893	11,540
Other adjustment	–	6,964
Carrying amount of investment	41,893	18,504

Summarised statement of comprehensive income

Group	Pacific Workboats Pte. Ltd. US$'000	POSH Terasea Group US$'000
2018		
Revenue	**13,902**	**46,802**
Depreciation and amortisation	**(5,835)**	**(18,568)**
Other operating expenses	**(12,505)**	**(49,079)**
Interest expense, net	**(55)**	**(3,297)**
Taxation	**349**	**(484)**
Loss after taxation	**(4,144)**	**(24,626)**
Other comprehensive income	**–**	**–**
Total comprehensive loss	**(4,144)**	**(24,626)**
2017		
Revenue	12,448	144,120
Depreciation and amortisation	(6,211)	(19,022)
Other operating expenses	(11,430)	(88,303)
Interest expense, net	(167)	(4,172)
Taxation	270	(35)
(Loss)/profit after taxation	(5,090)	32,588
Other comprehensive income	–	–
Total comprehensive (loss)/income	(5,090)	32,588

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8 RECEIVABLES AND OTHER NON-CURRENT ASSETS

	Group		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Prepayments	1,294	1,616	1,982
Refundable deposits	4,602	–	–
	5,896	1,616	1,982

Prepayments relate to advances paid for charter hire of vessels. Refundable deposits relate to banker guarantees issued to tax authorities for the importation of vessels to the Middle East which are refundable to the Group on completion of the charters.

9 DERIVATIVES

	Group			Company		
	Contract/ Notional Amount US$'000	**Fair value Asset US$'000**	**Fair value Liability US$'000**	**Contract/ Notional Amount US$'000**	**Fair value Asset US$'000**	**Fair value Liability US$'000**
2018						
Derivatives held for hedging						
Cash-flow hedges						
- Interest rate swaps	**584,461**	**10,197**	**581**	**295,000**	**2,862**	**82**
31 December 2017						
Derivatives held for hedging						
Cash-flow hedges						
- Interest rate swaps	439,225	7,295	–	200,000	1,261	–
1 January 2017						
Derivatives held for hedging						
Cash-flow hedges						
- Interest rate swaps	199,535	5,600	–	–	–	–

Interest rate swaps are used to hedge the fluctuating interest rates on the Group's borrowings. The interest rate swaps receive floating interest equal to one month to six months LIBOR, pay fixed rates of interest ranging from 1.280% to 3.010% (31 December 2017: 1.280% to 1.940%, 1 January 2017: 1.280% to 1.525%) per annum and mature between 9 June 2020 to 11 April 2023 (31 December 2017: 11 July 2020 to 11 April 2023, 1 January 2017: 18 January 2023 to 11 April 2023).

10 CONSUMABLES

Consumables mainly comprise bunkers onboard vessels.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11 RECEIVABLES AND OTHER CURRENT ASSETS

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	**US$'000**	US$'000	US$'000
Trade receivables	**63,529**	65,041	55,245	**–**	–	–
Retention sums	**5,080**	1,925	–	**–**	–	–
Other receivables	**12,696**	7,972	17,678	**2,156**	2,150	273
Deposits	**886**	3,316	4,015	**281**	2,770	3,104
	82,191	78,254	76,938	**2,437**	4,920	3,377
Prepayments	**1,800**	4,987	2,755	**608**	957	66
	83,991	83,241	79,693	**3,045**	5,877	3,443

Trade receivables

With the exception of a trade debtor whose credit terms is 365 days, trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$13,883,000 as at 31 December 2017 and US$14,953,000 as at 1 January 2017 that are past due at the end of the reporting periods but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting periods is as follows:

	Group	
	31 December 2017	1 January 2017
	US$'000	US$'000
Less than 3 months	10,169	9,337
3 to 6 months	1,846	706
More than 6 months	1,868	4,910
	13,883	14,953

Receivables that are impaired

The Group has trade receivables that are impaired at the end of the reporting periods and the movements of allowance account used to record the impairment are as follows:

	31 December 2017	1 January 2017
	US$'000	US$'000
Trade receivables – nominal amounts	36,320	34,473
Allowance for impairment	(32,509)	(29,288)
	3,811	5,185

Notes to the Financial Statements

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11 RECEIVABLES AND OTHER CURRENT ASSETS (CONT'D)

Receivables that are impaired (cont'd)

Movements in allowance account:

	31 December 2017 US$'000	1 January 2017 US$'000
At 1 January	29,288	16,336
Allowance during the year	3,221	13,768
Provision written-off	–	(816)
At 31 December	32,509	29,288

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

Expected credit losses

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

	US$'000
Balance at 1 January 2018 under SFRS	**32,509**
Adoption of SFRS(I) 9 (Note 2.2)	**306**
Balance at 1 January 2018 under SFRS(I) 9	**32,815**
Allowance during the year	**4,172**
Allowance written back	**(347)**
Provision written-off	**(15,436)**
Balance at 31 December 2018	**21,204**

Allowances for doubtful debts are written back when the related debts are recovered.

Other receivables

Other receivables comprise the following amounts:

	Group			**Company**		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Claim receivables	**1,766**	1,055	5,886	**2**	2	–
Capitalised charter cost	**5,199**	2,093	3,909	**–**	–	–
Advances	**1,448**	1,886	6,426	**–**	–	–
Others	**4,283**	2,938	1,457	**2,154**	2,148	273
	12,696	7,972	17,678	**2,156**	2,150	273

Included in other receivables is an amount of US$523,000 (31 December 2017: US$1,024,000, 1 January 2017: US$87,000) relating to capitalised fulfilment costs arising from the charters of the vessels. The amortisation of the capitalised costs has been recognised in the "Cost of sales" line of the Consolidated Statement of Comprehensive Income.

Deposits

In the prior financial year, an allowance of US$399,000 had been recognised in the "Other expenses, net" line of the consolidated statement of comprehensive income for deposits made by the Group in relation to the sale and purchase agreement to acquire a property as disclosed in Note 36.

11 RECEIVABLES AND OTHER CURRENT ASSETS (CONT'D)

Receivables and other current assets are denominated in the following currencies:

	Group			Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
United States Dollar	**43,936**	52,868	62,378	**–**	2,129	209
Singapore Dollar	**12,742**	9,195	10,951	**2,923**	2,906	3,234
Australian Dollar	**11,618**	16,076	–	**–**	–	–
Saudi Riyal	**9,638**	2,995	–	**–**	–	–
Others	**6,057**	2,107	6,364	**122**	842	–
	83,991	83,241	79,693	**3,045**	5,877	3,443

12 DUE FROM SUBSIDIARIES, JOINT VENTURES AND RELATED COMPANIES

	Group			Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Current						
Due from subsidiaries (non-trade)	**–**	–	–	**717,842**	771,682	810,150
Due from joint ventures						
- Trade	**32,262**	35,210	16,858	**–**	–	–
- Non-trade	**48,668**	39,851	54,632	**41,982**	34,896	50,435
	80,930	75,061	71,490	**759,824**	806,578	860,585
Due from related companies (non-trade)	**91**	1,337	523	**1**	3	–
	81,021	76,398	72,013	**759,825**	806,581	860,585
Non-current						
Due from joint ventures (non-trade)	**23,316**	31,877	21,834	**20,973**	27,050	21,834
	104,337	108,275	93,847	**780,798**	833,631	882,419

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and receivable on demand.

The amounts due from joint ventures are unsecured and interest-free except for US$18,147,000 (31 December 2017: US$19,107,000, 1 January 2017: US$27,167,000) are subordinated to the borrowings under loan facilities undertaken by the respective joint ventures and bear interest at a range of 2.60% to 6.99% (31 December 2017: 2.24% to 5.99%, 1 January 2017: 1.62% to 5.00%) per annum. The settlements of these amounts are based on expected cash flows to be derived over a period of two to seven (31 December 2017: three to eight, 1 January 2017: two to nine) years.

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12 DUE FROM SUBSIDIARIES, JOINT VENTURES AND RELATED COMPANIES (CONT'D)

Due from subsidiaries and joint ventures that are impaired

Based on assessments of the subsidiaries' and joint ventures' historical and current performances, estimated value and probability of future cash flows, the Company has provided the following allowances:

	Subsidiaries		**Joint Ventures**	
	31 December 2017 US$'000	1 January 2017 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Due from – nominal amounts	923,124	826,423	36,083	13,878
Allowance for impairment	(289,258)	(185,111)	(15,275)	(2,934)
	633,866	641,312	20,808	10,944

Movements in allowance account:

	Subsidiaries		**Joint Ventures**	
	31 December 2017 US$'000	1 January 2017 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
At 1 January	185,111	32,634	2,934	–
Allowance during the year	104,769	153,551	12,341	2,934
Write-back during the year	(622)	(1,074)	–	–
At 31 December	289,258	185,111	15,275	2,934

Expected credit losses

The movement in allowance for expected credit losses of amounts due from subsidiaries and joint ventures computed based on lifetime ECL are as follows:

	Subsidiaries US$'000	**Joint Ventures US$'000**
Balance at 1 January 2018 under SFRS(I) 9	**289,258**	**15,275**
Allowance during the year	**57,492**	**493**
Allowance written back	**(4,336)**	**(436)**
Balance at 31 December 2018	**342,414**	**15,332**

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	**US$'000**	US$'000	US$'000
Cash at banks and on hand	**7,829**	5,792	14,178	**2,159**	1,215	2,970
Short-term deposits	**6,000**	11,296	880	**6,000**	11,296	880
	13,829	17,088	15,058	**8,159**	12,511	3,850

Cash at banks and on hand relate to cash and bank balances which earn interest at daily bank rates.

Short-term deposits are placed for varying periods of between one and forty-five days (31 December 2017: one and seventeen days, 1 January 2017: one and nineteen days), depending on the immediate cash requirements of the Group and the Company, and earn interest at rates between 0.3% to 2.2% (31 December 2017: 0.1% to 1.5%, 1 January 2017: 0.1% to 0.6%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	**US$'000**	US$'000	US$'000
United States Dollar	**8,991**	10,505	12,456	**7,182**	8,809	1,994
Singapore Dollar	**947**	2,040	1,864	**942**	2,023	1,848
Australian Dollar	**50**	1,702	–	**–**	1,674	–
Saudi Riyal	**3,331**	2,694	–	**–**	–	–
Others	**510**	147	738	**35**	5	8
	13,829	17,088	15,058	**8,159**	12,511	3,850

14 FIXED ASSETS CLASSIFIED AS HELD-FOR-SALE

In 2016, the Group entered into agreements with various third parties for the sale of vessels. Accordingly, these vessels were classified as held-for-sale as at 31 December 2016. The Group completed the disposal of these vessels in 2017. Prior to the reclassification of these vessels from fixed assets, the Group had recognised an impairment of US$8,029,000 to write down these vessels to the lower of its carrying amount and fair value less costs to sell.

15 (a) SHARE CAPITAL

	Group and Company			
	2018		2017	
	No. of ordinary shares '000	**US$'000**	No. of ordinary shares '000	US$'000
Issued and fully paid:				
At 1 January and 31 December	**1,820,000**	**827,201**	1,820,000	827,201

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets. The ordinary shares have no par value.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15 (b) TREASURY SHARES

	Group and Company			
	2018		2017	
	No. of ordinary shares '000	**US$'000**	No. of ordinary shares '000	US$'000
At 1 January	**6,360**	**1,447**	8,053	1,828
Acquired during the financial year	**1,000**	**143**	180	38
Reissuance to employees pursuant to employee share options plans	**–**	**–**	(1,873)	(419)
At 31 December	**7,360**	**1,590**	6,360	1,447

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

The Company acquired 1,000,000 (31 December 2017: 180,000, 1 January 2017: 758,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was US$143,000 (31 December 2017: US$38,000, 1 January 2017: US$159,000) and this has been presented as a component within shareholders' equity.

The Company reissued 1,873,000 treasury shares pursuant to the Performance Share Plans in the prior financial year.

As disclosed in Note 26, the Company has Share Plans under which the holders are entitled to subscribe for the Company's ordinary shares.

16 OTHER RESERVES

Exchange reserve

This represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Hedging reserve

This represents the fair value changes on the effective portion of interest rate swaps designated as cash flow hedges.

Employee share plan reserve

Employee share plan reserve represents the equity-settled share options granted to employees (Note 26). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

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17 BANK BORROWINGS

	Group			Company		
	2018 **US$'000**	31 December 2017 US$'000	1 January 2017 US$'000	**2018** **US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Current						
- Uncommitted revolving loans	**175,400**	161,400	248,487	**175,400**	161,400	248,487
- Committed revolving loans	**10,000**	–	–	**10,000**	–	–
- Term loans	**30,641**	23,064	20,620	**–**	–	–
	216,041	184,464	269,107	**185,400**	161,400	248,487
Non-current						
- Committed revolving loans	**285,000**	295,000	200,000	**285,000**	295,000	200,000
- Term loans	**265,330**	289,461	239,225	**–**	–	–
	550,330	584,461	439,225	**285,000**	295,000	200,000
Total	**766,371**	768,925	708,332	**470,400**	456,400	448,487

Revolving loans (unsecured)

The Company has total revolving loan facilities amounting to US$595,000,000 (31 December 2017: US$595,000,000, 1 January 2017: US$550,000,000). These revolving loan facilities are scheduled to expire between August 2020 to July 2021.

The committed revolving loans of US$10,000,000 (31 December 2017 and 1 January 2017: US$Nil) is repayable within a year after the reporting date. The remaining committed revolving loans of US$285,000,000 (31 December 2017: US$295,000,000, 1 January 2017: US$200,000,000) are repayable within 12 months after reporting date but have been classified as non-current as the Company expects and has the discretion to exercise the rights under the facility agreements to refinance these loans. Such immediate replacement funding is available till August 2020 to July 2021.

The uncommitted revolving loans of US$175,400,000 outstanding as at 31 December 2018 (31 December 2017: US$161,400,000, 1 January 2017: US$248,487,000) have been classified as current liability as this funding is subject to the banks' approval for refinancing under the respective agreements. These agreements expire in July 2021.

The unsecured revolving loans bear interest at a weighted average rate of 3.75% (2017: 2.77%) per annum for the year ended 31 December 2018.

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17 BANK BORROWINGS (CONT'D)

Term loans (secured)

The term loans bear interest at a weighted average rate of 3.96% (2017: 3.06%) per annum for the year ended 31 December 2018. The term loans are secured on certain vessels of the Group (Note 5), assignment of insurances and corporate guarantee from the Company. The assignment of charter and earnings to secure certain term loans are only effected upon the occurrence of an event of default.

The terms of the loans are as follow:

– US$218,605,000 (31 December 2017: US$239,225,000, 1 January 2017: US$259,845,000) repayable in 25 equal quarterly instalments over a period of seven years commencing six months from the date of draw down, with a final bullet instalment;

– US$44,200,000 (31 December 2017: US$44,200,000, 1 January 2017: US$Nil) repayable in eight semi-annual instalments over a period of five years commencing 18 months from the date of draw down, with a final bullet instalment;

– US$26,655,600 (31 December 2017: US$29,100,000, 1 January 2017: US$Nil) repayable in 25 equal quarterly instalments over a period of seven years commencing six months from the date of draw down, with a final bullet instalment; and

– US$6,510,000 (31 December 2017 and 1 January 2017: US$Nil) repayable in 55 equal monthly instalments over a period of five years commencing six months from the date of draw down.

18 PAYABLES AND ACCRUALS

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	**US$'000**	US$'000	US$'000
Trade payables	**26,577**	18,726	11,799	**–**	–	–
Vessel related accruals	**26,263**	49,946	23,907	**–**	–	–
Other accruals	**30,726**	36,918	33,446	**18,584**	18,942	19,450
Other payables	**3,616**	4,724	4,440	**603**	312	809
	87,182	110,314	73,592	**19,187**	19,254	20,259

Trade and other payables are non-interest bearing. Trade payables are normally settled on 30 days' term.

Trade and other payables are denominated in the following currencies:

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	**US$'000**	US$'000	US$'000
United States Dollar	**57,432**	81,841	61,915	**16,455**	16,707	14,711
Singapore Dollar	**9,888**	8,578	8,796	**2,718**	2,362	5,548
Australian Dollar	**8,001**	12,399	22	**–**	–	–
Mexican Peso	**2,998**	2,815	1,136	**–**	–	–
Saudi Riyal	**3,816**	1,401	–	**–**	–	–
Others	**5,047**	3,280	1,723	**14**	185	–
	87,182	110,314	73,592	**19,187**	19,254	20,259

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19 ADVANCES RECEIVED FROM CUSTOMERS

Advances received from customers relate to deposits received from various charterers in connection with the charter hire and/or sale of vessels.

20 DUE TO SUBSIDIARIES, JOINT VENTURES AND RELATED COMPANIES

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	**US$'000**	US$'000	US$'000
Due to subsidiaries	**–**	–	–	**30,446**	28,821	44,901
Due to joint ventures	**62,940**	60,093	29,301	**4,047**	4,047	4,126
	62,940	60,093	29,301	**34,493**	32,868	49,027
Due to related companies	**2,020**	5,602	2,505	**1,386**	4,407	2,402
	64,960	65,695	31,806	**35,879**	37,275	51,429

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

The amounts due to joint ventures and related companies are trade in nature, unsecured, interest-free, payable on demand, and are to be settled in cash.

These balances are denominated in United States Dollars.

21 DUE TO HOLDING COMPANY

The amounts are non-trade, unsecured, interest-free, payable on demand, and are to be settled in cash. These amounts are denominated in United States Dollars.

22 (a) OTHER INCOME

	Group	
	2018	2017
	US$'000	US$'000
Interest income		
- Debt instruments at amortised costs	**1,778**	–
- Loans and receivables	**–**	1,980
Sundry income	**3,873**	4,887
	5,651	6,867

(b) OTHER EXPENSES

		Group	
		2018	2017
	Note	**US$'000**	US$'000
Loss on disposal of fixed assets		**(646)**	(3,133)
Foreign exchange loss		**(345)**	(180)
Allowance for deposit	11	**–**	(399)
Impairment of fixed assets	5	**(49,493)**	(108,255)
Impairment of goodwill	4	**–**	(57,125)
		(50,484)	(169,092)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23 FINANCE COSTS

	Group	
	2018 **US$'000**	2017 US$'000
Interest expense on borrowings	**29,172**	22,847

24 LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Note	Group	
		2018 **US$'000**	2017 US$'000
Amortisation of intangible assets	6	**(303)**	(128)
Depreciation of fixed assets	5	**(61,432)**	(63,625)
Consumables recognised as an expense in cost of sales		**(12,207)**	(12,976)
Allowance for doubtful debts, net – trade	11	**(3,825)**	(3,221)
Allowance for deposit	22	**–**	(399)
Employee benefits expenses (including key management personnel):			
- Salaries and bonus		**(58,074)**	(44,185)
- CPF contributions or equivalents		**(1,581)**	(1,401)
- Other short-term benefits		**(1,673)**	(1,125)
- Share-based payments	26	**(430)**	(452)

The amounts of staff costs shown above does not include staff costs recognised in vessels under construction of approximately US$7,000 (2017: US$318,000).

25 TAXATION

	Group	
	2018 **US$'000**	2017 US$'000
Current taxation		
- Singapore tax	**502**	590
- Foreign tax	**11,506**	3,787
- Underprovision in respect of prior years	**3**	247
	12,011	4,624
Deferred taxation		
- Current year	**9**	211
- Overprovision in respect of prior years	**(462)**	(151)
	(453)	60
Withholding tax	**126**	144
	11,684	4,828

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25 TAXATION (CONT'D)

The tax expense on the results of the financial years varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Group's loss as a result of the following:

	Group	
	2018	2017
	US$'000	US$'000
Loss before taxation	**(86,625)**	(225,452)
Tax at statutory rate of 17% (2017: 17%)	**(14,726)**	(38,324)
Tax effect on non-deductible expenses	**24,505**	37,897
Net tax exempt (income)/loss under Section 13A or 13F of the Singapore Income Tax Act	**(4,795)**	1,567
Income not subjected to tax	**(420)**	(105)
(Over)/under provision in respect of prior years	**(459)**	96
Withholding tax	**126**	144
Effect of different tax rate in other countries	**6,516**	3,272
Effect of partial tax exemption and tax relief	**(172)**	(205)
Benefits from previously unrecognised deferred tax assets	**(1,557)**	(1,237)
Deferred tax assets not recognised	**1,210**	2,124
Share of results of joint ventures	**1,456**	(401)
	11,684	4,828

The Group did not recognise deferred tax assets arising from unabsorbed tax losses and unabsorbed capital allowances amounting to US$12,599,000 (2017: US$6,023,000) and US$450,000 (2017: US$483,000), in accordance with the accounting policy stated in Note 2.24(b). The use and availability of these tax losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

Income derived from the charter hire of vessels stationed in waters outside of Singapore during the financial year is exempt from income tax under Section 13A and Section 13F of the Singapore Income Tax Act, Chapter 134. At the end of the respective reporting periods, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint ventures as:

- The Group is in a position to control the timing of the reversal of the temporary differences of its subsidiaries and it is probable that such differences will not reverse in the foreseeable future; and

- The joint ventures of the Group require the consent of both partners to distribute its earnings. At the end of the reporting period, the Group does not foresee giving such consent.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26 EMPLOYEE BENEFITS

Share Plans

The Company has in place two share-based incentive plans namely the POSH Share Option Plan (the "SOP") and the POSH Performance Share Plan (the "PSP"), (collectively, the "Share Plans") to reward, retain and motivate employees and Non-Executive Directors of the Group, as well as to align the interests of employees with the interests of the Group and its shareholders, thereby enhancing the long-term growth of the Company and the Group.

Share Option Plan

Under the POSH Share Option Plan ("SOP"), share options are awarded to key employees of the Group with direct contributions to POSH, who are holding critical positions, and are high potentials and key talents for future roles.

The first batch of 1,549,000 share options granted on 25 January 2017 shall be vested in accordance with the vesting schedule below:

Year 1	25 January 2018 to 24 January 2019	50%
Year 2	25 January 2019 to 24 January 2020	30%
Year 3	On or after 25 January 2020	20%

The second batch of 797,000 share options granted on 30 November 2018 shall be vested in accordance with the vesting schedule below:

Year 1	30 November 2019 to 29 November 2020	50%
Year 2	30 November 2020 to 29 November 2021	30%
Year 3	On or after 30 November 2021	20%

All options are to be settled by physical delivery of shares. The options granted expire after 10 years or upon cessation of employment. The Company reserves the right to enforce clawback of any share award, in the event of one or more of the following, such as material risks, financial misstatements, gross misconduct, malfeasance or fraud.

The movements in the number of awards and the weighted average exercise prices ("WAEP") granted under the SOP are as follows:

	2018				**2017**	
	2018 Options (Batch 2)	**WAEP (S$)**	**2017 Options (Batch 1)**	**WAEP (S$)**	2017 Options (Batch 1)	WAEP (S$)
At 1 January	**–**	**–**	**1,360,000**	**0.3400**	–	–
Granted	**797,000**	**0.1943**	**–**	**–**	1,549,000	0.3400
Expired	**–**	**–**	**(41,500)**	**0.3400**	–	–
Forfeited	**(54,000)**	**0.1943**	**(41,500)**	**0.3400**	(189,000)	0.3400
At 31 December	**743,000**	**0.1943**	**1,277,000**	**0.3400**	1,360,000	0.3400
Exercisable at 31 December	**–**	**–**	**638,500**	**0.3400**	–	–

The weighted average fair value of options granted during the financial year was S$0.1566 (2017: S$0.1866). The weighted average remaining contractual life for these options is 2.60 years (2017: 2.97 years).

26 EMPLOYEE BENEFITS (CONT'D)

Share Plans (cont'd)

Share Option Plan (cont'd)

The fair value of the share options is estimated at grant date using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted.

The inputs to the option pricing model for the year ended 31 December 2018 are as follows:

	2018	2017
Dividend yield (%)	**Nil**	Nil
Expected volatility (%)	**47.40**	37.91
Risk-free rate (%)	**2.35**	2.30
Expected life of options (years)	**10**	10
Share price at grant date (S$)	**0.193**	0.355

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Performance Share Plan

Performance Share Plan ("PSP") awards are granted to the top management team (i.e. CEO, Deputy CEO, CFO and Divisional Directors) to motivate and drive long-term performance, align interests of key executives with the interests of the Group and its stakeholders, and to recognise and retain key executives whose contributions are essential to long-term growth and profitability of the Group.

The PSP awards were granted in the following batches:

(i) The first batch of 1,839,000 share awards granted on 22 January 2016 vested on the third anniversary of the date of grant (i.e. 22 January 2019).

(ii) The second batch of 1,873,000 share awards granted on 22 January 2016 was a one-time grant as an initial launch of the PSP scheme to key management personnel of the Company. The vesting of these share awards are not conditional on any performance criteria. The share awards vested on 31 December 2016.

(iii) The third batch of 1,962,000 share awards granted on 25 January 2017 shall vest on the third anniversary of the date of grant (i.e. 25 January 2020).

(v) The fourth batch of 3,454,800 share awards granted on 30 November 2018 shall vest in accordance with the following vesting schedule:

Year 1	On 30 November 2019	30%
Year 2	On 30 November 2020	30%
Year 3	On 30 November 2021	40%

The vesting of the fourth batch of share awards is not conditional on any performance criteria.

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26 EMPLOYEE BENEFITS (CONT'D)

Share Plans (cont'd)

Performance Share Plan (cont'd)

In the current financial year, the Remuneration Committee has approved the removal of all performance criteria on the first and third batch of the PSP awards. The incremental fair value granted as a result of this modification is not significant to the Group.

Upon cessation of employment, unvested shares will be forfeited in accordance to POSH PSP rules. The Company reserves the right to enforce clawback of any share award, in the event of one or more of the following, such as material risks, financial misstatements, gross misconduct, malfeasance or fraud.

The movement in the number of shares granted under the PSP are as follows:

	2018			2017	
	2018 Award (Batch 4)	**2017 Award (Batch 3)**	**2016 Award (Batch 1)**	2017 Award (Batch 3)	2016 Award (Batch 1)
At 1 January	**–**	**1,962,000**	**1,719,000**	–	1,839,000
Granted	**3,454,800**	**–**	**–**	1,962,000	–
Forfeited/cancelled	**–**	**–**	**–**	–	(120,000)
At 31 December	**3,454,800**	**1,962,000**	**1,719,000**	1,962,000	1,719,000

The weighted average fair value of shares granted during the financial year was S$0.2981 (2017: S$0.3140). In measuring the fair value of shares, the dividend yield imputed is Nil% (2017: Nil%).

27 INVESTMENT IN SUBSIDIARIES

	Company		
	2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Unquoted equity investments, at cost	**483,156**	483,056	482,856
Incorporation of subsidiaries	**171**	100	200
Impairment	**(373,187)**	(370,663)	(151,440)
	110,140	112,493	331,616

During the current financial year, management performed impairment testing for the Company's investment in subsidiaries. These subsidiaries are mainly vessel owning companies. Based on assessments of the subsidiaries' historical and current performance and the outcome of the impairment assessment of vessels, the Company has made an allowance for impairment against the respective investments amounting to US$2,524,000 (2017: US$219,223,000).

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27 INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries as at 31 December 2018, 31 December 2017 and 1 January 2017 are as follows:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest			Principal Activities
		2018 **%**	31 December 2017 %	1 January 2017 %	
Held by the Company					
POSH Semco Pte Ltd[1]	Singapore	**100**	100	100	Operator of vessels for offshore marine support services
POSH Maritime Pte Ltd[1]	Singapore	**100**	100	100	Dormant
Singapore Oil Spill Response Centre Pte Ltd[1]	Singapore	**100**	100	100	Provision of services to control pollution from oil & chemical spillage & to protect the marine environment
Semco Salvage and Towage Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Semco Salvage (I) Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Semco Salvage (II) Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Semco Salvage (III) Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Semco Salvage (IV) Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Semco Salvage (V) Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Ibis Shipping Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Maritime Alpha Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Maritime Bravo Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Maritime Charlie Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Maritime Delta Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Raven Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Swallow Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Condor Shipping Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Jacana Shipping Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Starling Shipping Pte Ltd[1]	Singapore	**100**	100	100	Owner and operator of vessels
Labrador Shipping Corporation[3]	Malaysia	**100**	100	100	Dormant

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27 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest			Principal Activities
		2018 %	31 December 2017 %	1 January 2017 %	
Held by the Company (cont'd)					
Larkspur Pte Ltd[(1)]	Singapore	**100**	100	100	Dormant
Newfoundland Shipping Corporation[(3)]	Malaysia	**100**	100	100	Dormant
POSH Fleet Services Pte Ltd[(1)]	Singapore	**100**	100	100	Provision of ship management services
POSH Australia Pty Ltd[(7)]	Australia	**100**	100	100	Dormant
Crescent Marine Pte Ltd[(1)]	Singapore	**100**	100	100	Chartering of ships, barges and boats with crew (freight)
Crescent Marine (Alpha) Pte Ltd[(1)]	Singapore	**100**	100	–	Owner and operator of vessels (incorporated on 12 July 2017)
Crescent Marine (Bravo) Pte Ltd[(1)]	Singapore	**100**	100	–	Owner and operator of vessels (incorporated on 23 October 2017)
POSH (USA) Inc.[(7)]	United States	**100**	100	100	Operator of vessels for offshore marine support services
PACC Offshore (UK) Limited[(4)]	United Kingdom	**100**	100	100	Dormant
Maritime Vanguard Pte Ltd[(1)]	Singapore	**100**	100	100	Operator of vessels for offshore marine support services
Adara Limited[(7)]	British Virgin Islands	**100**	100	100	Owner and operator of vessels
Mayan Investments Pte Ltd[(1)]	Singapore	**100**	100	100	Investment holding
Eide Marine Offshore B.V.[(7)]	The Netherlands	**100**	100	100	Renting and leasing of ships, support activities for water transport
Valley Ocean Limited[(7)]	British Virgin Islands	**100**	100	100	Owner and operator of vessels
Pacific Cosmo Ventures Limited[(7)]	British Virgin Islands	**100**	100	100	Owner and operator of vessels
POSH Saudi Co. Ltd[(5)]	Kingdom of Saudi Arabia	**75**	75	75	Operator of vessels for offshore marine support services

Notes to the Financial Statements

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27 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest			Principal Activities
		2018 %	31 December 2017 %	1 January 2017 %	
Held by the Company (cont'd)					
POSH Investment Holdings Pte Ltd[1]	Singapore	**100**	100	100	Investment holding
POSH Kerry Renewables Co Ltd[6]	Taiwan	**60**	–	–	Chartering or operating of vessels and related activities (incorporated on 8 August 2018)
Maritime Echo Pte Ltd[1]	Singapore	**100**	–	–	Owner and operator of vessels (incorporated on 17 July 2018)
Held through subsidiaries					
POSH Semco (B) Sdn Bhd[2]	Brunei	**100**	100	100	Dormant
Operadora De Servicios Costa Afuera S.A. de C.V.[7]	Mexico	**99**	99	99	Service company
POSH Fleet Services Mexico S.A. de C.V.[7]	Mexico	**99**	99	99	Dormant
POSH Gannet S.A. de C.V.[7]	Mexico	**100**	100	100	Owner and operator of vessels
POSH Skua S.A. de C.V.[7]	Mexico	**100**	100	100	Owner and operator of vessels
POSH Subsea Pte Ltd[1]	Singapore	**100**	–	–	Subsea construction, installation, SURF, Inspection, Maintenance and Repair (IMR) related services (incorporated on 19 June 2018)

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by Ernst & Young, Brunei
(3) Audited by Mazars, Malaysia
(4) Audited by Littlestone Golding Chartered Accountants, United Kingdom
(5) Audited by Ernst & Young, Kingdom of Saudi Arabia
(6) Audited by Ernst & Young, Taiwan
(7) Not required to be audited in accordance with the laws of the country of incorporation

Subsequent to the financial year, the Group has incorporated an indirect wholly-owned subsidiary, POSH Investment Holdings (Brunei) Pte. Ltd., with paid-up capital of US$10,000. The principal activities are those of investment holding.

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28 RELATED PARTY TRANSACTIONS

Other than the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties at mutually agreed terms and amounts:

	Group	
	2018	2017
	US$'000	US$'000
Immediate holding company		
- Corporate support expenses	**2,699**	2,008
Fellow subsidiaries and associates of the holding company		
- Office rental expenses	**1,097**	1,183
- Management support fees income	**410**	572
- Integrated fleet management expenses	**90**	–
- Diving related income	**216**	291
- Ship repair, maintenance and modification costs	**1,950**	2,810
- Shipbuilding costs	**18,045**	65,262
- Wharfage and rent of berthing space	**344**	342
- Charter hire income	**415**	1,206
Joint ventures of the Group		
- Charter hire expenses	**14,173**	10,625
- Charter hire income	**3,493**	14,940
- Ship management fees	**1,325**	1,175
- Ship management fees income	**2,152**	2,408
- Management support fees income	**714**	1,312
- Office rental income	**85**	177
- Procurement agency fees	**–**	84
- Interest income	**1,660**	1,436
Compensation of Directors and key management personnel		
- Salaries and related costs	**2,224**	1,989
- CPF contribution or equivalents	**55**	49
- Directors fees	**585**	475
- Share-based payment	**242**	235
	3,106	2,748
Comprise amounts paid to:		
- Directors of the Company	**1,506**	1,276
- Other key management personnel	**1,600**	1,472
	3,106	2,748

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28 RELATED PARTY TRANSACTIONS (CONT'D)

Commitments with related parties

As at end of the financial year ended 31 December 2018, the Group has outstanding commitments with related parties as follows:

(a) shipbuilding contracts for the construction of new vessels and conversion of existing vessels with fellow subsidiaries and associates of the holding company;

(b) office rental lease agreement with associates of the holding company; and

(c) operating lease agreements with joint ventures and associates of the holding company to charter-in vessels.

The amounts of outstanding commitments are disclosed in Note 30.

29 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable segments as follows:

Offshore Supply Vessels

The Offshore Supply Vessels segment supports mid to deepwater operations of rig and oilfield operators. This segment also operates Platform Supply Vessels that transport drilling materials and supplies to drilling rigs, offshore production platforms as well as pipes and other materials for construction of marine structures or pipelines.

Transportation and Installation

The Transportation and Installation segment supports marine contractors in construction and maintenance of oilfield infrastructure and pipelines. This segment includes a joint venture company which operates Anchor Handling Tugs specialising in cross-ocean towing, transporting large marine structures from the builder's yard and installing them in the oilfields. It also includes float-over of launching operations of large marine structures and ballastable tank barges and tugs for transportation of construction materials and subsea pipes.

Offshore Accommodation

The Offshore Accommodation segment owns and operates vessels that are capable of meeting a range of accommodation, transportation and hospitality needs in offshore oilfields for workers carrying out offshore construction and/or maintenance operations.

Harbour Services and Emergency Response

The Harbour Services segment supports the harbour or coastal tugging operations and heavy lifting operations of shipyards, ports and oil and gas terminals. Through a joint venture company, it also operates a modern fleet of Azimuth Stern Drive harbour tugs. In addition, the Group operates a fleet of heavy lift crane barges.

The Emergency Response segment offers a comprehensive range of services, equipment and personnel capable of handling firefighting, rescue and salvage and oil spill events in the Asia Pacific and Indian Ocean regions.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

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29 SEGMENT INFORMATION (CONT'D)

	2018				
Group	**Offshore Supply Vessels US$'000**	**Offshore Accommodation US$'000**	**Transportation and Installation US$'000**	**Harbour Services and Emergency Response US$'000**	**Total US$'000**
Charter hire income	32,343	71,745	9,276	7,599	120,963
Charter hire related income:					
- Mobilisation and demobilisation	1,470	9,942	453	309	12,174
- Provision of crew and technical services	54,234	48,486	5,127	14,774	122,621
- Meals and accommodations	1,991	31,000	62	–	33,053
- Charter ancillary services	761	5,582	562	73	6,978
- Ship management	1,052	114	2,235	210	3,611
Revenue	91,851	166,869	17,715	22,965	299,400
Segment results	(22,470)	27,125	(3,915)	652	1,392
Share of results of joint ventures	1,421	1,174	(9,192)	(1,959)	(8,556)
Impairment of fixed assets	(36,896)	(7,397)	(5,200)	–	(49,493)
Impairment of goodwill					–
Interest income					1,778
Interest expense					(29,172)
Taxation					(11,684)
Unallocated other income/(expenses), net					1,287
Unallocated general and administrative expenses					(3,861)
Loss for the year					(98,309)
Assets					
Interest in joint ventures	3,289	–	30,214	37,276	70,779
Segment assets	463,722	615,321	83,511	34,448	1,197,002
Unallocated assets					31,530
Total assets					1,299,311
Liabilities					
Segment liabilities	90,014	17,037	6,212	8,094	121,357
Unallocated liabilities					814,079
Total liabilities					935,436
Other information					
Depreciation	28,322	26,111	4,676	1,712	60,821
Additions to non-current assets	6,240	8,559	1,028	21	15,848

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 SEGMENT INFORMATION (CONT'D)

	31 December 2017				
	Offshore Supply Vessels US$'000	Offshore Accommodation US$'000	Transportation and Installation US$'000	Harbour Services and Emergency Response US$'000	Total US$'000
Charter hire income	21,775	40,456	5,567	6,324	74,122
Charter hire related income:					
- Mobilisation and demobilisation	1,953	7,560	745	–	10,258
- Provision of crew and technical services	48,821	15,227	5,941	15,060	85,049
- Meals and accommodations	1,225	14,352	10	–	15,587
- Charter ancillary services	22	4,143	77	–	4,242
- Ship management	1,179	77	1,694	–	2,950
Revenue	74,975	81,815	14,034	21,384	192,208
Segment results	(19,178)	(14,994)	(6,845)	2,530	(38,487)
Share of results of joint ventures	(10,656)	–	15,669	(2,657)	2,356
Impairment of fixed assets	(78,717)	(21,533)	(7,149)	(856)	(108,255)
Impairment of goodwill	–	–	(57,125)	–	(57,125)
Interest income					1,980
Interest expense					(22,847)
Taxation					(4,828)
Unallocated other income/(expenses), net					(481)
Unallocated general and administrative expenses					(2,593)
Loss for the year					(230,280)
Assets					
Interest in joint ventures	2,519	–	38,803	39,235	80,557
Segment assets	523,861	647,657	92,751	34,595	1,298,864
Unallocated assets					34,330
Total assets					1,413,751
Liabilities					
Segment liabilities	102,460	40,767	6,039	7,293	156,559
Unallocated liabilities					797,073
Total liabilities					953,632
Other information					
Depreciation	30,736	24,149	6,356	1,829	63,070
Additions to non-current assets	62,396	481	42,345	4,618	109,840

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 SEGMENT INFORMATION (CONT'D)

	1 January 2017				
	Offshore Supply Vessels US$'000	Offshore Accommodation US$'000	Transportation and Installation US$'000	Harbour Services and Emergency Response US$'000	Total US$'000
Assets					
Interest in joint ventures	2,792	–	18,395	41,893	63,080
Segment assets	550,700	650,502	180,208	32,690	1,414,100
Unallocated assets					28,368
Total assets					1,505,548
Liabilities					
Segment liabilities	64,284	12,370	8,533	8,932	94,119
Unallocated liabilities					723,239
Total liabilities					817,358

Geographical information

Revenues

The Group provides a diverse range of offshore support vessels to service the offshore oil and gas exploration and production activities. The Group's operations are international and in particular where the major offshore oil and gas activities are located. The Group has no specific geographical objective and will deploy its vessels based on the demand and supply of the various international offshore oil and gas activities. The decision in allocating resources and assessing performance is driven by the optimal economic returns a vessel is able to achieve, taking into account demand, vessel specifications, rates, timing and availability of vessels in different geographical regions. The vessels may be deployed to other geographical regions at the end of the contract for the aforesaid criteria. Hence, it is not meaningful to present revenues by countries or geographical locations.

Information about major customers

There are two major customers that each contributed more than 10% of the Group's revenue:

(a) Revenue from one major customer amounting to US$103,800,000 (2017: US$48,509,000) was recorded in the Offshore Accommodation segment; and

(b) Revenue from one major customer amounting to US$50,517,000 (2017: US$20,409,000) was recorded in the Offshore Supply Vessels and Offshore Accommodation segments (2017: Offshore Supply Vessels segment).

Non-current assets

Non-current assets are based on geographical location of the entities:

	Group	
	2018 US$'000	2017 US$'000
Singapore	**681,821**	763,724
British Virgin Islands	**410,423**	448,387
Americas	**18,135**	20,932
Middle East	**5,044**	372
	1,115,423	1,233,415

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30 COMMITMENTS

(a) Capital commitments

	Group and Company	
	2018 **US$'000**	2017 US$'000
Capital expenditure in respect of fixed assets contracted with related parties but not provided for in the financial statements	**9,391**	18,395

(b) Rental commitments

The Group has entered into commercial leases primarily in relation to its office premises. For the financial years ended 31 December 2018 and 2017, these leases have an average tenure of between one to five years (2017: one to five years) with renewal option but no contingent rent provision included in the contracts. The Group is restricted from subleasing its leased office premises and office equipment to third parties.

Minimum lease payments recognised as an expense in consolidated statement of comprehensive income for the financial years ended 31 December 2018 and 2017 amounted to US$1,698,000 and US$1,818,000 respectively. Future minimum rental payable under non-cancellable operating leases at the end of the reporting periods are as follows:

	Group		Company	
	2018 **US$'000**	2017 US$'000	**2018** **US$'000**	2017 US$'000
Due not later than one year	**1,179**	1,416	**798**	925
Due later than one year and not later than five years	**1,767**	2,365	**1,497**	2,340
	2,946	3,781	**2,295**	3,265

Included in the above office rental lease commitments are commitments with a fellow subsidiary of the holding company. These outstanding operating lease commitments falling due within one year and in the second to fifth year are US$798,000 (2017: US$925,000) and US$1,497,000 (2017: US$2,340,000) respectively.

(c) Operating lease commitments – as lessee

The Group has entered into bareboat leases of vessels from related parties. Future minimum leases payable under non-cancellable operating leases at the end of the respective reporting periods are as follows:

	Group	
	2018 **US$'000**	2017 US$'000
Not later than one year	**19,417**	19,839
Later than one year and not later than five years	**23,026**	33,352
Later than five years	**6,720**	11,888
	49,163	65,079

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30 COMMITMENTS (CONT'D)

(d) Operating lease commitments – as lessor

The Group has entered into time-charter and bareboat leases on its vessels. Certain leases include a clause to enable upward revision of the leasing charge on an annual basis based on prevailing market conditions. Future minimum time-charter and receivable under operating leases at the end of the respective reporting periods are as follows:

	Group	
	2018	2017
	US$'000	US$'000
Not later than one year	**116,717**	108,445
Later than one year and not later than five years	**156,068**	203,334
Later than five years	**–**	3,356
	272,785	315,135

Non-cancellable leases included in operating lease commitments are as follows:

	Group	
	2018	2017
	US$'000	US$'000
Not later than one year	**52,776**	52,126
Later than one year and not later than five years	**38,652**	47,579
	91,428	99,705

(e) Financial support

The Company has committed to provide continuing financial support to certain of its subsidiaries.

31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include currency risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees on policies and procedures for the management of these risks. It is the Group's policy that no trading in derivatives for speculative purposes will be undertaken.

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. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group operates internationally and its assets and revenues are essentially United States Dollar based. Foreign currency denominated assets and liabilities give rise to foreign exchange exposures. The Group is exposed to foreign currency risk mainly arising from its operations.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the Singapore Dollar ("SGD") exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

			2018	2017
			US$'000	US$'000
			Increase/(decrease)	
SGD	-	strengthened 5%	**150**	105
	-	weakened 5%	**(150)**	(105)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's primary interest rate risk relates to its interest-bearing debts that are subject to variable interest rates. The Group and the Company manages its variable interest rate exposure by using floating-to-fixed interest rate swaps entered with reputable banks over the duration of its borrowings. Interest rate swaps entail the Group agreeing to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. This strategy allows the Group to fix the interest rates at current interest rate environment and achieves a certain level of protection against future rate hikes.

The Group adopts a balanced approach to interest rate management. The Group's interest rate policy is to hedge at least 50% of Group total borrowings. As at 31 December 2018, the Group's interest rate exposures for loans have been hedged up to 76.3% (2017: 57.1%). The Group determines the economic relationship between the Group's borrowings and interest rate swap by matching the critical terms of the hedging instrument with the terms of the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The hedge ratio is determined to be 1:1. There were no expected sources of ineffectiveness on the Group's cash flow hedge as the critical terms of the interest rate swaps match exactly with the terms of the hedged item.

As at 31 December 2018, the Group has interest rate swap agreements with notional amounts totalling US$584,461,000 (2017: US$439,225,000) whereby it receives variable rates equal to LIBOR and pays fixed rates of between 1.280% to 3.010% (2017: 1.280% to 1.940%) per annum on the notional amounts.

Sensitivity analysis for interest rate risk

At the end of the respective reporting periods, if USD interest rates had been 25 basis points lower/higher with all other variables held constant, the Group's losses net of tax would have been US$1,590,000 (2017: US$1,596,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. Other comprehensive income would have been higher/lower by US$2,566,000 (2017: US$3,234,000) mainly as a result of higher fair value of interest rate swaps designated as cash flow hedges on variable rate borrowings.

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31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(c) 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 and the Company's exposure to credit risk arises primarily from trade and other receivables, including amounts due from subsidiaries, joint ventures and related parties.

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit monitoring procedures. Credit risk is minimised and monitored via strictly limiting business dealings by the Group with business partners of high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

Advances are made to subsidiaries in support of their respective principal activities. Surplus cash is placed in a number of reputable banks.

Approximately 72% (31 December 2017: 71%, 1 January 2017: 71%) of the Group's trade receivables were due from five major debtors as at 31 December 2018. 32% (31 December 2017: 34%, 1 January 2017: 23%) of the Group's trade receivables were due from related parties while almost all of the Company's receivables were balances with related parties in 2018 and 2017.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 60 days when they fall due, which are derived based on the Group's historical information.

The Group determines impairment of trade receivables by making debtor-specific assessment for credit-impaired debtors. For the remaining group of debtors, the Group uses a provision matrix to measure the lifetime expected credit loss allowances. In measuring the expected credit loss, the Group's trade receivables are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjust to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group considers available reasonable and supportive forward-looking information which includes actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 60 days when they fall due, and writes off the financial asset when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking any credit enhancements held by the Group. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(c) Credit risk (cont'd)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

At 31 December 2018	Gross carrying amount US$'000	Loss allowance provision US$'000
Current	40,595	–
Past due:		
Within 30 days	8,514	–
30 to 60 days	4,004	(247)
60 to 90 days	2,769	(9)
90 to 120 days	1,646	(255)
120 to 150 days	1,284	(395)
More than 150 days	25,921	(20,298)
	84,733	(21,204)

Information regarding loss allowance movement of trade receivables are disclosed in Note 11.

The Company provides for expected credit loss ("ECL") on amounts due from subsidiaries and joint ventures based on the general approach and the extent of loss allowance is dependent on the extent of credit deterioration since initial recognition.

In assessing whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on amounts due from subsidiaries and joint ventures as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supporting information, which includes any significant changes in the expected performance and behaviour of these subsidiaries and joint ventures, including changes in the payment status, financial position and operating results, forward-looking information and market data.

The Company computes expected credit loss using the probability of default approach. In calculating the expected credit loss rates, the Company considers implied probability of default from external rating agency.

A significant increase in credit risk is presumed when there is a significant deterioration in the financial position of these subsidiaries and joint ventures. A default occurs when these subsidiaries and joint ventures fail to make contractual payments within 90 days of when they fall due. The amounts due from subsidiaries and joint ventures are only written off when the respective subsidiary or joint venture is liquidated or disposed.

Category	Definition of category	Basis for recognition of expected credit loss provision	Gross carrying amount as at 31 December 2018 US$'000	Loss allowance provision US$'000
Stage 1	Subsidiaries and joint ventures that have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit loss	104,712	–
Stage 2	Amounts due from subsidiaries and joint ventures which have a significant increase in credit risk.	Lifetime expected credit loss	102,612	(3,988)
Stage 3	Amounts due from subsidiaries and joint ventures that are in net tangible liability position.	Lifetime expected credit loss	931,220	(353,758)

Notes to the Financial Statements

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31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(c) Credit risk (cont'd)

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor; and
- Default or delinquency in payments.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position; and
- Corporate guarantees provided by the Company as disclosed in Note 36.

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

Credit risk concentration profile

	2018		**31 December 2017**		**1 January 2017**	
	US$'000	**% of total**	US$'000	% of total	US$'000	% of total
By region						
Asia Pacific	**39,104**	**57.0**	41,917	62.6	11,257	20.4
Europe	**1,455**	**2.1**	1,598	2.4	673	1.2
Middle East	**13,505**	**19.7**	4,921	7.3	3,998	7.2
Africa	**11,245**	**16.4**	10,563	15.8	9,224	16.7
Americas	**3,300**	**4.8**	7,967	11.9	30,093	54.5
	68,609	**100.0**	66,966	100.0	55,245	100.0

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31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company have available bank facilities at variable interest rates. It is the Group's policy for the placing of surplus funds to be managed centrally.

Due to the nature of the Group's and the Company's underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
At 31 December 2018				
Financial assets				
Derivatives	–	10,197	–	10,197
Receivables and other assets	75,544	4,602	–	80,146
Due from subsidiaries and joint ventures	81,634	15,337	10,387	107,358
Due from related companies	91	–	–	91
Receivables from a joint venture	–	25,347	–	25,347
Cash and cash equivalents	13,829	–	–	13,829
Total undiscounted financial assets	171,098	55,483	10,387	236,968
Financial liabilities				
Derivatives	–	581	–	581
Payables and accruals	81,473	–	–	81,473
Due to subsidiaries and joint ventures	62,940	–	–	62,940
Due to related companies	2,020	–	–	2,020
Due to holding company	650	–	–	650
Bank borrowings	244,939	583,742	10,643	839,324
Total undiscounted financial liabilities	392,022	584,323	10,643	986,988
Total net undiscounted financial liabilities	(220,924)	(528,840)	(256)	(750,020)

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31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(d) Liquidity risk (cont'd)

Group	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
At 31 December 2017				
Financial assets				
Derivatives	–	1,527	5,768	7,295
Receivables and other assets	74,275	–	–	74,275
Due from subsidiaries and joint ventures	75,663	20,838	13,716	110,217
Due from related companies	1,337	–	–	1,337
Receivables from a joint venture	–	25,347	–	25,347
Cash and cash equivalents	17,088	–	–	17,088
Total undiscounted financial assets	168,363	47,712	19,484	235,559
Financial liabilities				
Payables and accruals	105,844	–	–	105,844
Due to subsidiaries and joint ventures	60,093	–	–	60,093
Due to related companies	5,602	–	–	5,602
Due to holding company	196	–	–	196
Bank borrowings	205,708	525,724	153,751	885,183
Total undiscounted financial liabilities	377,443	525,724	153,751	1,056,918
Total net undiscounted financial liabilities	(209,080)	(478,012)	(134,267)	(821,359)
At 1 January 2017				
Financial assets				
Derivatives	–	–	5,600	5,600
Receivables and other assets	66,603	–	–	66,603
Due from subsidiaries and joint ventures	73,263	4,868	20,160	98,291
Due from related companies	523	–	–	523
Receivables from a joint venture	–	25,347	–	25,347
Cash and cash equivalents	15,058	–	–	15,058
Total undiscounted financial assets	155,447	30,215	25,760	211,422
Financial liabilities				
Payables and accruals	67,210	–	–	67,210
Due to subsidiaries and joint ventures	29,301	–	–	29,301
Due to related companies	2,505	–	–	2,505
Due to holding company	195	–	–	195
Bank borrowings	284,947	340,840	161,638	787,425
Total undiscounted financial liabilities	384,158	340,840	161,638	886,636
Total net undiscounted financial liabilities	(228,711)	(310,625)	(135,878)	(675,214)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(d) Liquidity risk (cont'd)

Company	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
At 31 December 2018				
Financial assets				
Derivatives	**–**	**2,862**	**–**	**2,862**
Receivables and other current assets	**2,437**	**–**	**–**	**2,437**
Due from subsidiaries and joint ventures	**760,527**	**12,995**	**10,387**	**783,909**
Due from related companies	**1**	**–**	**–**	**1**
Receivables from a joint venture	**–**	**25,347**	**–**	**25,347**
Cash and cash equivalents	**8,159**	**–**	**–**	**8,159**
Total undiscounted financial assets	**771,124**	**41,204**	**10,387**	**822,715**
Financial liabilities				
Derivatives	**–**	**82**	**–**	**82**
Payables and accruals	**11,376**	**–**	**–**	**11,376**
Due to subsidiaries and joint ventures	**34,493**	**–**	**–**	**34,493**
Due to related companies	**1,386**	**–**	**–**	**1,386**
Due to holding company	**654**	**–**	**–**	**654**
Bank borrowings	**203,041**	**299,665**	**–**	**502,706**
Total undiscounted financial liabilities	**250,950**	**299,747**	**–**	**550,697**
Total net undiscounted financial assets/(liabilities)	**520,174**	**(258,543)**	**10,387**	**272,018**
At 31 December 2017				
Financial assets				
Derivatives	–	1,261	–	1,261
Receivables and other current assets	4,920	–	–	4,920
Due from subsidiaries and joint ventures	807,180	16,011	13,716	836,907
Due from related companies	3	–	–	3
Receivables from a joint venture	–	25,347	–	25,347
Cash and cash equivalents	12,511	–	–	12,511
Total undiscounted financial assets	824,614	42,619	13,716	880,949
Financial liabilities				
Payables and accruals	11,442	–	–	11,442
Due to subsidiaries and joint ventures	32,868	–	–	32,868
Due to related companies	4,407	–	–	4,407
Due to holding company	196	–	–	196
Bank borrowings	174,024	345,496	–	519,520
Total undiscounted financial liabilities	222,937	345,496	–	568,433
Total net undiscounted financial assets/(liabilities)	601,677	(302,877)	13,716	312,516

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(d) Liquidity risk (cont'd)

Company	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
At 1 January 2017				
Financial assets				
Receivables and other current assets	3,377	–	–	3,377
Due from subsidiaries and joint ventures	862,358	4,868	20,160	887,386
Receivables from a joint venture	–	25,347	–	25,347
Cash and cash equivalents	3,850	–	–	3,850
Total undiscounted financial assets	869,585	30,215	20,160	919,960
Financial liabilities				
Payables and accruals	12,447	–	–	12,447
Due to subsidiaries and joint ventures	49,027	–	–	49,027
Due to related companies	2,402	–	–	2,402
Due to holding company	195	–	–	195
Bank borrowings	258,214	238,907	–	497,121
Total undiscounted financial liabilities	322,285	238,907	–	561,192
Total net undiscounted financial assets/(liabilities)	547,300	(208,692)	20,160	358,768

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities and commitments. The maximum amount of the guarantees is allocated to the earliest period in which the guarantee could be called.

	2018				2017			
	1 year or less US$'000	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
Group								
Refund and performance guarantees	**6,963**	**63**	**–**	**7,026**	8,165	–	–	8,165
Company								
Corporate guarantees	**38,557**	**254,970**	**10,360**	**303,887**	27,071	144,398	149,744	321,213

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The Group manages its capital structure by taking into account its current and projected cash flow, expansion and capital expenditure commitments, and ensuring a sustainable debt to equity ratio. The Group monitors capital using a net gearing ratio, which is borrowings less cash and cash equivalents divided by total equity.

The net debt to equity ratio of the Group is 2.07 : 1 (2017: 1.63 : 1) for the financial year ended 31 December 2018. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 2017.

The Group has complied with externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

33 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Group			Company		
	2018	31 December 2017	1 January 2017	**2018**	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	**US$'000**	US$'000	US$'000
Financial assets measured at fair value through profit or loss designated as hedging instruments in cash flow hedges						
Derivatives	**10,197**	7,295	5,600	**2,862**	1,261	–
Financial assets measured at amortised cost						
Receivables and other assets	**75,544**	74,275	66,603	**2,437**	4,920	3,377
Due from subsidiaries and joint ventures	**104,246**	106,938	93,324	**780,797**	833,628	882,419
Due from related companies	**91**	1,337	523	**1**	3	–
Receivables from a joint venture	**25,347**	25,347	25,347	**25,347**	25,347	25,347
Cash and cash equivalents	**13,829**	17,088	15,058	**8,159**	12,511	3,850
Total financial assets carried at amortised cost	**219,057**	224,985	200,855	**816,741**	876,409	914,993
Financial liabilities measured at fair value through profit or loss designated as hedging instruments in cash flow hedges						
Derivatives	**581**	–	–	**82**	–	–
Financial liabilities measured at amortised cost						
Payables and accruals	**81,473**	105,844	67,210	**11,376**	11,442	12,447
Due to subsidiaries and joint ventures	**62,940**	60,093	29,301	**34,493**	32,868	49,027
Due to related companies	**2,020**	5,602	2,505	**1,386**	4,407	2,402
Due to holding company	**650**	196	195	**654**	196	195
Bank borrowings	**766,371**	768,925	708,332	**470,400**	456,400	448,487
Total financial liabilities carried at amortised cost	**913,454**	940,660	807,543	**518,309**	505,313	512,558

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3: Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

In the financial years ended 2018 and 2017, there have been no transfers between Level 1 and Level 2 and no transfers into or out of Level 3.

Assets and liabilities measured at fair value at the end of reporting period

Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy.

Derivatives

The fair values of the Group's and the Company's derivative financial assets and financial liabilities as disclosed in Note 9 are measured based on significant observable inputs other than quoted prices (Level 2).

The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

Fixed assets

As disclosed in Note 5, the recoverable amounts of certain vessels were based on fair value less cost of disposal which was determined by an independent valuer. These considered sales of similar vessels that have been transacted in the open market.

Valuation policies and procedures

The Group's Chief Financial Officer ("CFO") who is assisted by the Financial Controller and Finance Manager (collectively referred to as the "Finance Team"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Finance Team reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of inputs (including those developed internally by the Group) used in the valuations.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

34 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

Fair values of financial instruments by classes that are not carried at fair values and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of receivables and other current assets except prepayments, capitalised charter cost and advances, amounts owing from/to subsidiaries, joint ventures and related companies, loans to joint ventures, cash and cash equivalents, payables and accruals, amount owing to holding company and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

35 LOSS PER SHARE

The basic and diluted loss per ordinary share ("EPS") are calculated by dividing the Group's net loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The weighted average number of ordinary shares for the financial years ended 31 December 2018 and 2017, takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

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

	Group	
	2018 **US$'000**	2017 US$'000
Net loss for the year, representing total comprehensive loss attributable to shareholders	**(98,326)**	(230,285)
	No. of shares ('000)	No. of shares ('000)
Weighted average number of ordinary shares for basic and diluted loss per share computation	**1,813,523**	1,813,720

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36 CONTINGENT LIABILITIES

(a) The Company provided the following guarantees at the end of the reporting periods:

	Company	
	2018	2017
	US$'000	US$'000
Refund and performance guarantees		
- Subsidiaries	**4,368**	4,431
- Joint ventures	**2,658**	3,734
Corporate guarantees		
- Subsidiaries[1]	**295,971**	312,525
- Joint venture[2]	**7,916**	8,688

[1] Corporate guarantees for its subsidiaries' term loans drawn down under various loan facilities with maturities between August 2022 to December 2024.

[2] Corporate guarantees for its proportionate share for a joint venture's banking facilities which the Company is severally liable for in the event of a default by the joint venture.

(b) A subsidiary company provided an indemnity bond of INR2,064,730,964 (approximately US$30,000,000) to a customer arising from the charter of a vessel in India in connection with a re-export bond required of the customer by the customs authority.

(c) In January 2015, the Company entered into a sale and purchase agreement (the "SPA") with the Plaintiff for the acquisition by the Company of a property in Singapore (the "Acquisition"). Under the terms of the SPA, the Acquisition was subject to the Plaintiff obtaining approval from Jurong Town Corporation ("JTC"). The Plaintiff's application for such approval was rejected by JTC and the Company sought a refund of the deposit and GST paid under the SPA from the Plaintiff. The Plaintiff claimed a total amount of S$30,519,000 (the "Claim"). The Company contested the Claim and counterclaimed for the return of the deposit and GST paid by the Plaintiff as well as for interest and costs. On 2 August 2018, the Singapore High Court granted judgment on the merits in favour of the Company's counterclaim and held the Company was entitled to the return of the deposit and GST paid by the Plaintiff, and interest, with costs to be determined at a further hearing. The Plaintiff had also discontinued the Claim against the Company and undertook that it shall not bring any subsequent action against the Company for the same or substantially the same cause of action. The Company has recovered the sum of approximately S$3,428,000 from the Plaintiff.

37 FEES PAID TO AUDITORS

	Group	
	2018	2017
	US$'000	US$'000
Audit fees paid to auditor of the Company	**289**	265
Audit fees paid to other auditors of the Company	**14**	17
	303	282
Non-audit fees paid to auditor of the Company	**233**	235
Non-audit fees paid to other auditors of the Company	**83**	36
	316	271

Information on Shareholdings

AS AT 13 MARCH 2019

Number of Issued Shares	:	1,814,219,400 shares (excluding treasury shares and subsidiary holdings)
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote per share
Number of shares held in treasury	:	5,780,600 shares
Percentage of treasury shares held	:	0.32%

DISTRIBUTION OF SHAREHOLDINGS

Range of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares and subsidiary holdings)	%
1 – 99	7	0.11	73	0.00
100 -1,000	425	6.83	406,744	0.02
1,001 – 10,000	3,365	54.06	16,977,643	0.94
10,001 – 1,000,000	2,385	38.31	140,994,455	7.77
1,000,001 and above	43	0.69	1,655,840,485	91.27
Total	**6,225**	**100.00**	**1,814,219,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	%
1	Kuok (Singapore) Limited	1,084,184,065	59.76
2	Pacific Carriers Limited	263,847,300	14.54
3	PPB Group Berhad	54,093,990	2.98
4	Raffles Nominees (Pte.) Limited	32,172,000	1.77
5	DBS Nominees (Private) Limited	27,787,169	1.53
6	UOB Kay Hian Private Limited	17,355,289	0.96
7	Phillip Securities Pte Ltd	15,698,595	0.87
8	Citibank Nominees Singapore Pte Ltd	15,173,731	0.84
9	RHB Securities Singapore Pte. Ltd.	14,750,612	0.81
10	Camsward Pte Ltd	13,240,000	0.73
11	OCBC Securities Private Limited	12,634,122	0.70
12	DB Nominees (Singapore) Pte Ltd	10,795,944	0.60
13	Seow Kang Hoe Gerald	8,756,043	0.48
14	Maybank Kim Eng Securities Pte. Ltd.	7,554,836	0.42
15	CGS-CIMB Securities (Singapore) Pte. Ltd.	7,438,358	0.41
16	DBS Vickers Securities (Singapore) Pte Ltd	6,693,200	0.37
17	Wu Long Peng	6,094,000	0.34
18	Teo Joo Kim	6,064,043	0.33
19	Kuok Khoon Kuan @ Kuo Khoon Kwong	4,591,768	0.25
20	Lim Meng Kong	3,940,300	0.22
Total		**1,612,865,365**	**88.91**

Information on Shareholdings

AS AT 13 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

As at 13 March 2019, the substantial shareholders of the Company and their direct and deemed interests, as shown in the Company's Register of Substantial Shareholders, were as follows:

Name of substantial shareholder	Direct Interest	Deemed Interest	Total Interest	%
Kuok (Singapore) Limited	1,084,184,065	277,105,254	1,361,289,319	75.03
Pacific Carriers Limited	263,847,300	17,954	263,865,254	14.54

Note:

(1) Kuok (Singapore) Limited ("**KSL**") holds the entire issued share capital of Pacific Carriers Limited ("**PCL**") and Camsward Pte Ltd ("**Camsward**"). Accordingly, KSL is deemed to have an interest in:

(i) the 263,847,300 Shares held by PCL directly;

(ii) the 13,240,000 Shares held by Camsward directly; and

(ii) the 17,954 Shares that PCL is deemed interested in.

(2) PCL holds more than 20% of the entire issued share capital of Malaysian Bulk Carriers Berhad ("**MBC**"). Accordingly, PCL is deemed to have an interest in the 17,954 Shares held by MBC's wholly-owned subsidiary, Lightwell Shipping Inc.

SHAREHOLDINGS HELD BY THE PUBLIC

Based on information available to the Company as at 13 March 2019, approximately 23.19% of the issued ordinary shares of the Company are held by the public (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")). Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting of the Company will be held at Shangri-La Hotel, Island B Ballroom, 22 Orange Grove Road, Singapore 258350 on Friday, 26 April 2019 at 10.00 a.m. to transact the following business:

AGENDA

As Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2018 and the Auditor's Report thereon. — Ordinary Resolution 1

2. To re-elect the following Directors, each of whom will be retiring by rotation pursuant to provisions of the Constitution of the Company and who, being eligible, offers himself for re-election:

   (i) Mr. Kuok Khoon Ean (See Explanatory Note 1.(a)) — Ordinary Resolution 2
   (ii) Mr. Ma Kah Woh (See Explanatory Note 1.(b)) — Ordinary Resolution 3
   (iii) Mr. Wee Joo Yeow (See Explanatory Note 1.(c)) — Ordinary Resolution 4

3. To approve the sum of S$797,848 as Directors' Fees for the year ended 31 December 2018. — Ordinary Resolution 5

4. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and authorise the Directors to fix their remuneration. — Ordinary Resolution 6

As Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

5. **Authority to issue shares** — Ordinary Resolution 7

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such person(s) as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

Notice of Annual General Meeting

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including new shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50 per cent. of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including new shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) may not exceed 20 per cent. of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for:

  (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

  (ii) any subsequent bonus issue, consolidation or subdivision of shares,

  and, in paragraph (1) above and this paragraph (2), "subsidiary holdings" has the meaning given to it in the listing manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

6. **Authority to Directors to grant options and/or awards and issue shares under the POSH Share Option Plan and/or POSH Performance Share Plan** Ordinary Resolution 8

That the Directors of the Company be and are hereby authorised to:

(a) grant options and awards in accordance with the provisions of the POSH Share Option Plan and/or the POSH Performance Share Plan (collectively, the "**Share Plans**"); and

(b) allot and issue from time to time such number of new shares as may be required to be issued pursuant to the exercise of options and the vesting of awards granted under the Share Plans,

provided that the total number of shares over which options and awards (as the case may be) may be granted on any date, when added to the total number of shares issued and/or issuable and transferred and/or to be transferred in respect of all options already granted and the total number of shares issued and/or issuable and transferred and/or to be transferred in respect of all awards already granted, shall not exceed 15 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings (as defined in the listing manual of the Singapore Exchange Securities Trading Limited)) on the date preceding the date of the relevant option or award (as the case may be).

Notice of Annual General Meeting

7. **Proposed Renewal of the Share Purchase Mandate** Ordinary Resolution 9

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"); and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the rules of the listing manual of the SGX-ST for any corporate action that occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out below) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

Notice of Annual General Meeting

"**Maximum Limit**" means that number of issued Shares representing 10 per cent. of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings (as defined in the listing manual of the SGX-ST)); and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed, in the case of a Market Purchase of a Share, 105 per cent. of the Average Closing Price of the Shares, and in the case of an Off-Market Purchase of a Share pursuant to an equal access scheme, 110 per cent. of the Average Closing Price of the Shares; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

8. **Proposed Renewal of the General Mandate for Interested Person Transactions** Ordinary Resolution 10

That:

(a) approval be and is hereby given for the purposes of Chapter 9 of the listing manual of the Singapore Exchange Securities Trading Limited ("**Chapter 9**"), for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" (as that term is used in Chapter 9), or any of them to enter into any of the transactions falling within the types of Mandated Transactions described in the letter to shareholders of the Company dated 3 April 2019 (the "**Letter**") with any party who is of the class of interested persons described in the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in sub-paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company and/or any of them be and are and/or is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

9. To transact any other business that may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

MR. SOH YAN LEE, ANDY
MS. LIM KA BEE
COMPANY SECRETARIES

Date: 3 April 2019

Notice of Annual General Meeting

Explanatory Notes

1. (a) In relation to Ordinary Resolution No. 2, Mr. Kuok Khoon Ean will be retiring from office at the Annual General Meeting pursuant to Articles 94 and 95 of the Company's Constitution, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on "Board of Directors" and "Corporate Governance Report" in the Annual Report for FY2018 for more information relating to Mr. Kuok. Mr. Kuok is a member of the Board Risk Committee and the Remuneration Committee and will, upon re-election, continue to serve as a member of the Board Risk Committee and the Remuneration Committee.

   (b) In relation to Ordinary Resolution No. 3, Mr. Ma Kah Woh will be retiring from office at the Annual General Meeting pursuant to Articles 94 and 95 of the Company's Constitution, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on "Board of Directors" and "Corporate Governance Report" in the Annual Report for FY2018 for more information relating to Mr. Ma. Mr. Ma is the Chairman of the Audit Committee and a member of the Board Risk Committee and the Nominating Committee and will, upon re-election, continue to serve as the Chairman of the Audit Committee and a member of the Board Risk Committee and the Nominating Committee. Mr. Ma will be considered independent for the purposes of Rule 704(8) of the listing manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**").

   (c) In relation to Ordinary Resolution No. 4, Mr. Wee Joo Yeow will be retiring from office at the Annual General Meeting pursuant to Articles 94 and 95 of the Company's Constitution, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on "Board of Directors" and "Corporate Governance Report" in the Annual Report for FY2018 for more information relating to Mr. Wee. Mr. Wee is the Chairman of the Remuneration Committee and a member of the Audit Committee, the Board Risk Committee and the Nominating Committee and will, upon re-election, continue to serve as the Chairman of the Remuneration Committee and a member of the Audit Committee, the Board Risk Committee and the Nominating Committee. Mr. Wee will be considered independent for the purposes of Rule 704(8) of the Listing Manual.

   (d) In relation to the retirement of directors by rotation at the 13th Annual General Meeting, Mr. Wu Long Peng is also due to retire by rotation and he has given notice to the Company that he does not wish to be re-elected to office thereat. He will retire from the Board and cease to be a member of the Nominating Committee following the conclusion of the Annual General Meeting. Consequently, Ms. Yong Hsin Yue will also cease to be his alternate director after the conclusion of the Annual General Meeting.

2. Ordinary Resolution No. 7, if passed, will authorise the Directors of the Company from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares and issue shares in pursuance of such instruments up to an amount not exceeding 50 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, of which up to 20 per cent. may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time that Ordinary Resolution No. 7 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution No. 7 is passed, and any subsequent bonus issue, consolidation or subdivision of shares. As at 25 March 2019 (the "**Latest Practicable Date**"), the Company had 5,780,600 treasury shares and no subsidiary holdings. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

3. Ordinary Resolution No. 8, if passed, will empower the Directors to grant options and awards under the POSH Share Option Plan and/or the POSH Performance Share Plan (collectively, the "**Share Plans**"), and to allot and issue from time to time such number of new shares as may be required to be issued pursuant to the exercise of options and the vesting of awards granted under the Share Plans, provided that the total number of shares over which options and awards (as the case may be) may be granted on any date, when added to the total number of shares issued and/or issuable and transferred and/or to be transferred in respect of all options already granted and the total number of shares issued and/or issuable and transferred and/or to be transferred in respect of all awards already granted, shall not exceed 15 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of the relevant option or award (as the case may be).

Notice of Annual General Meeting

4. Ordinary Resolution No. 9 is to renew the mandate to allow the Company to purchase or otherwise acquire its issued shares, on the terms and subject to the conditions set out in Ordinary Resolution No. 9.

   The Company may use internal resources and/or external borrowings to finance purchases or acquisitions of its shares. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of shares purchased or acquired and the price at which such shares were purchased or acquired and whether the shares purchased or acquired are held in treasury or cancelled.

   Based on the number of issued and paid-up shares as at the Latest Practicable Date and disregarding the shares held in treasury, the purchase or acquisition by the Company of 10 per cent. of its issued shares will result in the purchase or acquisition of 181,421,940 shares.

   Assuming that the Company purchases or acquires 181,421,940 shares at the Maximum Price, in the case of Market Purchases of S$0.184 for one share (being the price equivalent to 105% of the Average Closing Price of the shares), the maximum amount of funds required is approximately S$33.4 million and in the case of Off-Market Purchases of S$0.193 for one share (being the price equivalent to 110% of the Average Closing Price of the shares), the maximum amount of funds required is approximately S$35.0 million.

   The financial effects of the purchase or acquisition of such shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Company, and the Company and its subsidiaries, for the financial year ended 31 December 2018, based on certain assumptions, are set out in paragraph 2.7 of the letter to shareholders of the Company dated 3 April 2019 (the "**Letter**").

   Please refer to the Letter for further details.

5. Ordinary Resolution No. 10, if passed, will renew, effective until the conclusion of the next Annual General Meeting, the mandate to enable the Company, its subsidiaries and associated companies which are considered "entities at risk", or any of them to enter in the ordinary course of business into certain types of interested person transactions with specific classes of the Company's interested persons.

   Please refer to the Letter for further details.

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General 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's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the holding of the Annual General Meeting.

Notice of Annual General Meeting

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PACC OFFSHORE SERVICES HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200603185Z)

PROXY FORM
ANNUAL GENERAL MEETING

Important:
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy PACC Offshore Services Holdings Ltd. shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/ SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2019.

*I/We, ________________________ (Name) ________________ (*NRIC/ Passport/Co. Reg No.)

of ____ (Address)

being a *member/members of PACC Offshore Services Holdings Ltd. (the "**Company**") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

or failing him/her, the Chairman of the Meeting, as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company (the "**Meeting**") to be held at Shangri-La Hotel, Island B Ballroom, 22 Orange Grove Road, Singapore 258350 on Friday, 26 April 2019 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Ordinary Resolutions	**For	**Against
1	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2018 and the Auditor's Report thereon		
2	To re-elect Mr. Kuok Khoon Ean as a Director		
3	To re-elect Mr. Ma Kah Woh as a Director		
4	To re-elect Mr. Wee Joo Yeow as a Director		
5	To approve the sum of Directors' Fees for the year ended 31 December 2018		
6	To re-appoint Messrs Ernst & Young LLP as auditor and to authorise the Directors to fix their remuneration		
7	To grant authority to the Directors to issue shares and make or grant instruments convertible into shares pursuant to Section 161 of the Companies Act		
8	To authorise Directors to grant options and/or awards and issue shares under the POSH Share Option Plan and/or POSH Performance Share Plan		
9	To renew the Share Purchase Mandate		
10	To renew the General Mandate for Interested Person Transactions		

* Delete accordingly
** Indicate your vote "For" or "Against" with a (√) within the relevant box provided.
Note: Voting will be conducted by poll.

Dated this __________ day of __________ 2019.

Total number of Shares held

____
Signature(s) or Common Seal of member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Proxy Form

Notes

1. A member of the Company ("**Member**") should insert the total number of ordinary shares in the Company (the "**Shares**") held by him. If the Member has Shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of Shares. If the Member has Shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that 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, 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.

2. (a) A Member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A Member who is a relevant intermediary is entitled to appoint more than two 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's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act.

3. A proxy need not be a Member.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the holding of the Meeting.

5. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of 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 officer or attorney duly authorised. Where the original instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the original letter or power of attorney under which the instrument of proxy is signed or a duly certified copy of that letter or power of attorney (failing previous registration with the Company) shall be attached to the original instrument of proxy and must be left at the registered office, not less than 72 hours before the time appointed for the holding of the Meeting or the adjourned Meeting at which it is to be used failing which the instrument may be treated as invalid.

6. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act. The Company shall be entitled to treat an original certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative.

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 (including any related attachment) appointing a proxy or proxies. In addition, in the case of Members whose Shares are entered against their names in the Depository Register, the Company shall reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for the holding of the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Information

BOARD OF DIRECTORS

Kuok Khoon Ean
Chairman and Non-Executive Director

Seow Kang Hoe, Gerald
Chief Executive Officer and Executive Director

Wu Long Peng
Non-Executive Director

Dato' Jude Philomen Benny
Lead Independent Director

Ma Kah Woh
Independent Director

Dato' Ahmad Sufian @ Qurnain Bin Abdul Rashid
Independent Director

Wee Joo Yeow
Independent Director

Ivan Replumaz
Independent Director

Yong Hsin Yue
Non-Executive, Alternate Director to Wu Long Peng

BOARD COMMITTEES

Audit Committee

Ma Kah Woh
Chairman

Dato' Jude Philomen Benny

Dato' Ahmad Sufian @ Qurnain Bin Abdul Rashid

Wee Joo Yeow

Ivan Replumaz

Nominating Committee

Dato' Jude Philomen Benny
Chairman

Ma Kah Woh

Dato' Ahmad Sufian @ Qurnain Bin Abdul Rashid

Wu Long Peng

Wee Joo Yeow

Remuneration Committee

Wee Joo Yeow
Chairman

Kuok Khoon Ean

Dato' Ahmad Sufian @ Qurnain Bin Abdul Rashid

Dato' Jude Philomen Benny

Board Risk Committee

Ivan Replumaz
Chairman

Kuok Khoon Ean

Dato' Jude Philomen Benny

Ma Kah Woh

Wee Joo Yeow

COMPANY SECRETARIES

Soh Yan Lee, Andy

Lim Ka Bee

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

AUDITORS

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

AUDIT PARTNER

Philip Ling Soon Hwa
(since the financial year ended 31 December 2018)

REGISTERED OFFICE

1 Kim Seng Promenade
#07-02 Great World City
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Fax: +65 6839 6508
Website: www.posh.com.sg
Company Registration No.: 200603185Z

POSH
Excellence Through Safety

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