INCORPORATED IN SINGAPORE
COMPANY REGISTRATION NO. 200609894C

Pacific Radiance Ltd.

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MEDIA RELEASE

Pacific Radiance takes prudent step in vessel impairments; reports 2QFY16 revenue of US$20m

- Net operating losses of US$16.9m before one-off impairment charges in 2QFY16, due mainly to lower charter rates and utilisation of its offshore support services fleet
- Net loss of US$62.8m recorded for 2QFY16, mostly attributed to impairment charges of US$46.0m
- Continues to enjoy full support of bankers and business partners; cash flow viable
- Will intensify marketing & development efforts, and continue to pursue cost reduction initiatives and closely manage cash flows

SINGAPORE ♦ 12 August 2016

For immediate release

Operating conditions in the oil and gas (O&G) sector remained extremely challenging in the three months ended 30 June 2016 (2QFY16). Despite this, Pacific Radiance Ltd. (Pacific Radiance or the Group), a provider of integrated offshore marine support services, held its revenue at US$20.0 million, an increase of 9.0% over 1QFY16.

However, weaker demand for offshore support and subsea services as well as keen competition resulted in low charter rates and overall fleet utilization, resulting in the Group's reporting of a net loss of US$16.9 million in 2QFY16, excluding impairment charges of US$46.0 million.

Mr Pang Yoke Min (冯学民), the Executive Chairman of Pacific Radiance, said: "This downturn in the O&G sector has been more severe and longer than expected. In view of the challenging times ahead which may last another two to three years, we have prudently taken the step to impair the value of some of our vessels based on the current operating conditions over the vessels' estimated useful lives. We have also made provisions for doubtful receivables."

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Although the impairment charges of US$46.0 million, consisting of US$32.9m for vessel impairment (own fleet), US$3.8m for vessel impairment (joint venture's fleet), and US$9.3m for provision of doubtful receivables, widened the net loss to US$62.8 million, these are accounting provisions which will not significantly affect the Group's cash flow position. These charges are also largely responsible for the net loss of US$69.7 million reported by Pacific Radiance in the first six months of this year (1HFY16) on a revenue of US$38.4 million.

Since the onset of the industry downturn in late 2014, the Group has implemented and will continue to roll out various measures as part of its risk mitigation strategy to proactively reduce both capital and operating expenses and manage its cash flows. Some of the key steps include the refinancing of loans with its key lenders, and the amendment of a financial covenant of its sole S$100 million bond issue due August 2018 to avoid any technical breaches.

Management has been proactively working to reduce costs and streamline operations in all aspects of the business, including reducing crew, personnel, and overhead costs, as well as general & administrative expenses. Moreover, the Group has not committed to any additional capital expenditure for fleet expansion since mid-2014. In parallel, the Group continues to intensify its marketing and business development efforts to grow existing markets and expand into new ones.

Added Mr Pang: "I am pleased to say that we continue to enjoy the full support of our bankers and business partners and that the Group's cash flows remain viable.

We are also pleased to inform that we have commenced operations of our ship repair yard in August 2016, which will provide us with greater control over our fleet maintenance programme, as well as reduce repair, maintenance, and docking expenses. In addition, our yard will be able to serve third party vessel owners, providing us with complementary business streams."

[Please also refer to our SGX announcement titled "General Business Update" dated 10 August 2016]

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ABOUT THE COMPANY

www.pacificradiance.com ♦ SGX mainboard listing: 13 November 2013

Pacific Radiance Ltd. provides offshore support solutions to an expanding client base, catering to their key needs throughout the oil and gas (O&G) project life cycle. Our offshore support services division owns and charters out a young and diverse offshore vessel fleet that helps ensure efficient and successful project execution. We also offer subsea inspection, repair and maintenance (IRM) services.

Our Group's fleet of more than 140 vessels has given us a strong foothold across Asia and other emerging O&G markets, namely Africa, Latin America and Australia. We are well-placed to benefit from the eventual growth in exploration and production (E&P) and subsea spending in these regions in the long term.

Despite the competitive landscape, we have been able to carve out a definitive presence in strategic market segments and geographies through our intimate knowledge of how these markets operate, and by securing the 'right assets' and entering into key local partnerships in cabotage-protected markets such as Indonesia and Malaysia.

Having better control over our supply chain, we are always improving our processes and resource management systems in order to further enhance our competitiveness and maximise cost-effectiveness. As part of continued efforts to upgrade our offerings and provide value-added solutions, we commenced operations of our ship-repair yard in August 2016, which will provide us with greater control over our fleet maintenance programme, and better manage repair, maintenance, and docking expenses. Rejuvenation of our fleet will also enable us to stay relevant to the market and expand our services in tandem with our clients' needs.

Our proven commitment to maintaining rigorous safety and service standards that help prevent undue delays and rein in costs has allowed us to build a strong track record and win over clients who value our ability to deliver reliable services to their projects promptly and cost-effectively.

FOR FURTHER ENQUIRIES

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