



PACIFIC RADIANCE LTD
Company Registration No. 200609894C

Unaudited Third Quarter (“3Q 2019”) Financial Statement and Dividend Announcement
For the Nine Months Ended 30 September 2019 (“9M 2019”)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	3Q 2019	3Q 2018	+ /(-)	9M 2019	9M 2018	+ /(-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	17,951	18,601	(3)	54,016	45,937	18
Cost of sales	(14,440)	(17,050)	(15)	(42,846)	(48,421)	(12)
Gross profit	3,511	1,551	NM	11,170	(2,484)	NM
Other operating income	1,616	4,169	(61)	16,178	8,485	91
General and administrative expenses	(4,565)	(3,603)	27	(14,634)	(11,180)	31
Other operating expenses	(5,054)	(586)	NM	(21,268)	(1,341)	NM
Finance costs	(5,660)	(5,508)	3	(16,903)	(16,599)	2
Share of results of joint ventures	52	477	(89)	510	1,300	(61)
Share of results of associates	-	(422)	NM	-	(2,025)	NM
Loss before taxation	(10,100)	(3,922)	NM	(24,947)	(23,844)	5
Taxation	(256)	(76)	NM	(715)	(754)	(5)
Loss for the period	(10,356)	(3,998)	NM	(25,662)	(24,598)	4
Other comprehensive income:						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation	698	70	NM	294	557	(47)
Net fair value changes on cash flow hedges	-	476	NM	-	401	NM
Net fair value changes on cash flow hedges, reclassified to profit or loss	-	(443)	NM	-	(443)	
Share of other comprehensive income of an associate or a joint venture	-	221	NM	-	(44)	NM
Other comprehensive income for the period, net of tax	698	324	NM	294	471	(38)
Total comprehensive income for the period	(9,658)	(3,674)	NM	(25,368)	(24,127)	5
Loss for the period attributable to:						
Equity holders of the Company	(10,194)	(3,565)	NM	(26,540)	(23,367)	14
Non-controlling interests	(162)	(433)	(63)	878	(1,231)	NM
	(10,356)	(3,998)	NM	(25,662)	(24,598)	4
Total comprehensive income for the period attributable to:						
Equity holders of the Company	(9,498)	(3,241)	NM	(26,248)	(22,897)	15
Non-controlling interests	(160)	(433)	(63)	880	(1,230)	NM
	(9,658)	(3,674)	NM	(25,368)	(24,127)	5

NM: Not Meaningful

1(a)(ii) Items, if significant must be included in the income statement

Loss for the period was stated after charging/(crediting) the following:

	Group		Group	
	3Q 2019	3Q 2018	9M 2019	9M 2018
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation of property, plant and equipment and right-of-use assets (included in cost of sales)	3,927	4,362	11,662	13,161
Depreciation of property, plant and equipment (included in general and administrative expenses)	196	223	593	684
Impairment of doubtful receivables, net	308	(75)	447	882
Impairment/(writeback) of amounts due from related companies	1,158	4	1,680	(519)
Impairment of investment in a joint venture	3,395	–	3,395	–
(Gain)/loss on sale of property, plant and equipment, net	(7)	51	762	22
Loss/(gain) on disposal of assets held for sale	–	–	14,754	(4)
Gain on termination of shipbuilding contract, net	–	–	–	(1,190)
Gain on termination of vessel lease contract, net	–	–	–	(1,248)
Gain on debt forgiveness of bank loan	–	(3,156)	(14,256)	(3,156)
Net fair value loss/(gain) on derivatives	–	37	29	(53)
Exchange (gain)/loss	(1,411)	65	(841)	449
Interest income	(71)	(290)	(529)	(1,759)
Net fair value (gain)/loss on held for trading investment securities	(4)	3	(9)	10
Realisation of deferred gain on sale of vessels to associates (included in share of results of associates)	–	(41)	–	(124)
Writeback of tax in respect of prior years	–	(57)	–	(57)

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30 Sep 2019 US\$'000	As at 31 Dec 2018 US\$'000	As at 30 Sep 2019 US\$'000	As at 31 Dec 2018 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	274,068	284,349	–	–
Right-of-use assets	8,191	–	–	–
Investment in subsidiaries	–	–	5	5
Investment in associates	–	–	–	–
Investment in joint ventures	3,479	6,438	–	–
Investment securities	50	–	–	–
Club memberships	156	156	–	–
Amounts due from related companies	59,256	52,172	–	–
Derivatives	–	118	–	–
Other receivables	330	–	–	–
	345,530	343,233	5	5
Current assets				
Inventories	637	402	–	–
Trade receivables	24,430	17,683	–	–
Other receivables	7,250	4,016	2,739	37
Amounts due from related companies	33,380	39,677	135,966	141,448
Investment securities	45	39	–	–
Derivatives	–	17	–	–
Assets held for sale	4,950	32,954	–	–
Cash and bank balances	20,744	30,731	750	613
	91,436	125,519	139,455	142,098
Total assets	436,966	468,752	139,460	142,103
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	13,146	15,717	–	–
Other liabilities	85,159	69,724	11,275	9,342
Amounts due to related companies	7,880	8,437	204,910	204,620
Bank loans	416,266	443,021	–	–
Notes payable	72,590	73,350	72,590	73,350
Provision for taxation	1,096	1,446	–	–
Finance lease obligations	640	575	–	–
Lease liabilities	659	–	–	–
	597,436	612,270	288,775	287,312
Non-current liabilities				
Other liabilities	11,717	11,717	–	–
Provisions	236	238	–	–
Deferred tax liabilities	3,066	2,920	–	–
Finance lease obligations	–	89	–	–
Lease liabilities	8,265	–	–	–
	23,284	14,964	–	–
Total liabilities	620,720	627,234	288,775	287,312
Net liabilities	(183,754)	(158,482)	(149,315)	(145,209)

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year (cont'd).

	Group		Company	
	As at 30 Sep 2019 US\$'000	As at 31 Dec 2018 US\$'000	As at 30 Sep 2019 US\$'000	As at 31 Dec 2018 US\$'000
Equity attributable to equity holders of the Company				
Share capital	162,854	162,854	162,854	162,854
Treasury shares	(2,290)	(2,485)	(2,290)	(2,485)
Accumulated losses	(324,948)	(298,408)	(309,963)	(305,761)
Other reserves	(6,972)	(3,763)	84	183
	(171,356)	(141,802)	(149,315)	(145,209)
Non-controlling interests	(12,398)	(16,680)	–	–
Total equity	(183,754)	(158,482)	(149,315)	(145,209)

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

Group		Group	
As at 30 Sep 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
416,906	72,590	443,596	73,350

Amount repayable after one year

Group		Group	
As at 30 Sep 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
–	–	89	–

Details of any collateral:

The Group's secured portion of bank loans is secured by:

- first legal mortgages over the vessels of the Group, with net book value of US\$215.8 million and US\$221.2 million as at 30 September 2019 and 31 December 2018 respectively;
- first legal mortgages over assets held for sale of the Group, with net book value of US\$5.0 million and US\$33.0 million as at 30 September 2019 and 31 December 2018 respectively;
- escrow mortgages over the buildings, ship-repair yard and plant and equipment of the Group, with net book value of US\$43.7 million and US\$46.1 million as at 30 September 2019 and 31 December 2018 respectively;
- a right to take assignment of charter earnings of the mortgaged vessels and insurance policies of the mortgaged vessels, mortgaged buildings and mortgaged ship-repair yard; and
- cash pledged of US\$2.9 million and US\$3.4 million as at 30 September 2019 and 31 December 2018 respectively.

In addition, certain of the Group's bank loans are secured by corporate guarantees from the Company and its subsidiaries.

The banks are entitled to enforce their rights against the mortgaged assets as the terms of the bank loans have been breached.

The Group is in the process of restructuring its debt obligations. Please refer to Note 10 for more information.

1(c) **A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	3Q 2019	Group	3Q 2018
	US\$'000		US\$'000
Cash flows from operating activities:			
Loss before taxation	(10,100)		(3,922)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	4,123		4,585
Finance costs	5,660		5,508
Interest income	(71)		(290)
Share of results of joint ventures	(52)		(477)
Share of results of associates	–		422
(Gain)/loss on sale of property, plant and equipment, net	(7)		51
Impairment/(writeback) of doubtful receivables, net	308		(75)
Impairment of amounts due from related companies, net	1,158		4
Impairment of investment in a joint venture	3,395		–
Net gain on debt forgiveness of bank loan	–		(3,156)
Net gain on termination of lease receivable	–		(412)
Net fair value changes on cash flow hedges, reclassified to profit or loss	–		443
Net fair value loss on derivatives	–		37
Net fair value (gain)/loss on held for trading investment securities	(4)		3
Recognition/(writeback) of share-based payment expense	112		(79)
Exchange difference	(1,276)		384
Operating cash flows before changes in working capital	3,246		3,026
Decrease/(increase) in trade and other receivables	685		(4,543)
Decrease/(increase) in amounts due from/to related companies	2,731		(603)
(Increase)/decrease in inventories	(122)		386
(Decrease)/increase in trade payables and other liabilities	(2,096)		1,808
Cash generated from/(used in) operations	4,444		74
Taxes paid	(306)		(204)
Interest paid	(6)		(2,484)
Interest received	26		54
Net cash flows generated from/(used in) operating activities	4,158		(2,560)

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd).

	Group	
	3Q 2019 US\$'000	3Q 2018 US\$'000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,662)	(685)
Proceeds from sale of property, plant and equipment	7	4,000
Loans repaid by related companies, net	–	225
Dividend income from a joint venture	234	–
Purchase of investment securities	(50)	–
Net cash inflow on dissolution of a joint venture	31	–
Deposit paid for proposed acquisition of a company	(2,700)	–
Net cash flows (used in)/generated from investing activities	(4,140)	3,540
Cash flows from financing activities:		
Repayment of finance lease obligations	(3)	(5)
Repayment of principal portion of lease liabilities	(15)	–
Repayment of bank loans	–	(3,929)
Cash and bank balances (pledged)/released as securities	(47)	1,563
Net cash flows used in financing activities	(65)	(2,371)
Net decrease in cash and bank balances	(47)	(1,391)
Effect of exchange rate changes on cash and bank balances	(35)	(8)
Cash and bank balances at beginning of the period	17,930	26,093
Cash and bank balances at end of the period	17,848	24,694
Breakdown of cash and bank balances at end of the period:		
Cash and bank balances as per balance sheet	20,744	28,153
Cash pledged	(2,896)	(3,459)
	17,848	24,694

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Treasury Shares	Accumulated losses	Total other reserves	Foreign currency translation reserve	Employee share-based payments reserve	Hedging reserve	Defined benefit plans	Capital reserve	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group												
Balance at 1 July 2019	162,854	(2,485)	(314,754)	(4,183)	(1,412)	197	114	127	(3,209)	(158,568)	(15,640)	(174,208)
Loss for the period	-	-	(10,194)	-	-	-	-	-	-	(10,194)	(162)	(10,356)
<u>Other comprehensive income</u>												
- Foreign currency translation	-	-	-	697	697	-	-	-	-	697	1	698
- Re-measurement of defined benefit plans	-	-	-	(1)	-	-	-	(1)	-	(1)	1	-
Total comprehensive income for the period	-	-	(10,194)	696	697	-	-	(1)	-	(9,498)	(160)	(9,658)
<u>Contributions by and distributions to equity holders</u>												
- Grant of equity-settled share performance awards to employees	-	-	-	112	-	112	-	-	-	112	-	112
- Treasury shares reissued pursuant to employee share award plan	-	195	-	(195)	-	(82)	-	-	(113)	-	-	-
Total contributions by and distributions to equity holders	-	195	-	(83)	-	30	-	-	(113)	112	-	112
<u>Changes in ownership interests in subsidiaries</u>												
- Acquisition of non-controlling interests without a change of control	-	-	-	(3,402)	-	-	-	-	(3,402)	(3,402)	3,402	-
Total changes in ownership interests in subsidiaries	-	-	-	(3,402)	-	-	-	-	(3,402)	(3,402)	3,402	-
Balance at 30 September 2019	162,854	(2,290)	(324,948)	(6,972)	(715)	227	114	126	(6,724)	(171,356)	(12,398)	(183,754)

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Treasury Shares	Accumulated losses	Total other reserves	Foreign currency translation reserve	Employee share-based payments reserve	Hedging reserve	Defined benefit plans	Capital reserve	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group												
Balance at 1 July 2018 (restated)	162,854	(2,530)	(218,813)	(3,834)	(941)	293	(81)	74	(3,179)	(62,323)	(15,632)	(77,955)
Loss for the period	–	–	(3,565)	–	–	–	–	–	–	(3,565)	(433)	(3,998)
<u>Other comprehensive income</u>												
- Foreign currency translation	–	–	–	70	70	–	–	–	–	70	–	70
- Net fair value changes on cash flow hedges	–	–	–	476	–	–	476	–	–	476	–	476
- Net fair value changes on cash flow hedges, reclassified to profit or loss	–	–	–	(443)	–	–	(443)	–	–	(443)	–	(443)
- Share of other comprehensive income of a joint venture	–	–	–	221	–	–	163	58	–	221	–	221
Total comprehensive income for the period	–	–	(3,565)	324	70	–	196	58	–	(3,241)	(433)	(3,674)
<u>Contributions by and distributions to equity holders</u>												
- Grant of equity-settled share performance awards to employees	–	–	–	(79)	–	(79)	–	–	–	(79)	–	(79)
- Treasury shares reissued pursuant to employee share award plan	–	45	–	(45)	–	(15)	–	–	(30)	–	–	–
Total contributions by and distributions to equity holders	–	45	–	(124)	–	(94)	–	–	(30)	(79)	–	(79)
Balance at 30 September 2018	162,854	(2,485)	(222,378)	(3,634)	(871)	199	115	132	(3,209)	(65,643)	(16,065)	(81,708)

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd).

	Share capital	Treasury Shares	Accumulated losses	Total other reserves	Employee share-based payments reserve	Hedging reserve	Capital reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Company								
Balance at 1 July 2019	162,854	(2,485)	(304,760)	167	197	–	(30)	(144,224)
Loss for the period	–	–	(5,203)	–	–	–	–	(5,203)
Total comprehensive income for the period	–	–	(5,203)	–	–	–	–	(5,203)
<u>Contributions by and distributions to equity holders:</u>								
- Grant of equity-settled performance share awards to employees	–	–	–	112	112	–	–	112
- Treasury shares reissued pursuant to employee share award plan	–	195	–	(195)	(82)	–	(113)	–
Total contributions by and distributions to equity holders	–	195	–	(83)	30	–	(113)	112
Balance at 30 September 2019	162,854	(2,290)	(309,963)	84	227	–	(143)	(149,315)
Balance at 1 July 2018	162,854	(2,530)	(231,922)	260	293	(33)	–	(71,338)
Profit for the period	–	–	10	–	–	–	–	10
<u>Other comprehensive income:</u>								
- Net fair value changes on cash flow hedges	–	–	–	476	–	476	–	476
- Net fair value changes on cash flow hedges, reclassified to profit or loss	–	–	–	(443)	–	(443)	–	(443)
Total comprehensive income for the period	–	–	10	33	–	33	–	43
<u>Contributions by and distributions to equity holders:</u>								
- Grant of equity-settled performance share awards to employees	–	–	–	(79)	(79)	–	–	(79)
- Treasury shares reissued pursuant to employee share award plan	–	45	–	(45)	(15)	–	(30)	–
Total contributions by and distributions to equity holders	–	45	–	(124)	(94)	–	(30)	(79)
Balance at 30 September 2018	162,854	(2,485)	(231,912)	169	199	–	(30)	(71,374)

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

In view of the debt restructuring, the Company did not renew the Share Buy Back Mandate (first approved by the Shareholders on 30 April 2014 and last renewed at the Annual General Meeting on 28 April 2017) at the last Annual General Meeting on 26 April 2019. The Company has not bought back any ordinary shares during the third quarter of 2019.

During the quarter ended 30 September 2019, the Company issued 931,000 (31 December 2018: 214,000) shares from treasury shares to its eligible employees upon vesting of share awards released under the Company's Performance Share Plan 2017.

As at 30 September 2019, the Company's total issued shares is 725,755,013 ordinary shares (31 December 2018: 725,755,013) with 11,098,000 (31 December 2018: 12,029,000) ordinary shares being held as treasury shares.

The Company has no subsidiary holdings as at 30 September 2019 and 31 December 2018.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company's total issued shares excluding treasury shares is 714,657,013 as at 30 September 2019 (31 December 2018: 713,726,013).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The movement of treasury shares are as follows:

As at 1 January 2019	: 12,029,000 shares
Treasury shares reissued pursuant to employee performance share plan	: (931,000) shares
Purchase of treasury shares during the year	: Nil
As at 30 September 2019	: 11,098,000 shares

- 1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

The Company has no subsidiary holdings as at 30 September 2019 and 31 December 2018. There was no sales, transfers, cancellation and/or use of subsidiary holdings for the period January to September 2019.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial statements for the periods under review have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial reporting period as those applied in the audited financial statements for the year ended 31 December 2018, except as disclosed in Note 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

On 1 January 2019, the Group and the Company adopted all new and revised SFRS(I)s and INT SFRS(I)s that are relevant to its operations and are effective for annual periods beginning on or after 1 January 2019.

The adoption of new/revised SFRS(I)s and INT SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

a) Application of 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 commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the 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.

The Group has adopted 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. The Group has measured the right-of-use asset at 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 elected 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
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

On the adoption of SFRS(I) 16, the Group recognised right-of-use assets of US\$7,984,000 and lease liabilities of US\$7,984,000 for its leases previously classified as operating leases as of 1 January 2019.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	9M 2019	9M 2018
Loss attributable to equity holders of the Company (US\$'000)	<u>(26,540)</u>	<u>(23,367)</u>
Weighted average ordinary shares for calculation ('000):		
- applicable to basic earnings per share	713,934	713,560
- based on a fully diluted basis	<u>713,934</u>	<u>713,560</u>
Earnings per ordinary share ("EPS") (US cents)		
(a) Based on weighted average number of ordinary shares on issue	(3.7)	(3.3)
(b) On a fully diluted basis	<u>(3.7)</u>	<u>(3.3)</u>

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

	Group		Company	
	As at 30 Sep 19	As at 31 Dec 18	As at 30 Sep 19	As at 31 Dec 18
Net asset value (US\$'000)	(171,356)	(141,802)	(149,315)	(145,209)
Total number of ordinary shares issued ('000)	714,657	713,726	714,657	713,726
Net asset value per ordinary share (US cents)	(24.0)	(19.9)	(20.9)	(20.3)

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**
- (a) **any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

REVIEW OF GROUP PERFORMANCE

Revenue

9 months ended 30 September 2019 ("9M 2019") vs 9 months ended 30 September 2018 ("9M 2018")

Revenue increased by approximately US\$8.1 million or 18% from US\$45.9 million for 9M 2018 to US\$54.0 million for 9M 2019.

The increase was attributed mainly to the increase in revenue from the Offshore Support Services Business of US\$5.1 million or 15% from US\$33.6 million for 9M 2018 to US\$38.7 million for 9M 2019. Revenue from the Subsea Business increased by US\$4.7 million or 63% from US\$7.5 million for 9M 2018 to US\$12.2 million for 9M 2019. The increase in revenue from Offshore Support Services Business and Subsea Business is due to higher utilisation of vessels.

This was partially offset by a decrease in revenue from the Shipyard Business of US\$1.8 million or 36% from US\$4.9 million for 9M 2018 to US\$3.1 million for 9M 2019 due to lower completion of ship repair works.

3 months ended 30 September 2019 ("3Q 2019") vs 3 months ended 30 September 2018 ("3Q 2018")

Revenue decreased by approximately US\$0.6 million or 3% from US\$18.6 million for 3Q 2018 to US\$18.0 million for 3Q 2019.

The decrease was attributed mainly to a decrease in revenue from the Shipyard Business of US\$1.9 million or 72% from US\$2.7 million for 3Q 2018 to US\$0.8 million for 3Q 2019 due to lower completion of ship repair works.

This was partially offset by an increase in revenue from the Offshore Support Services Business of US\$1.1 million or 8% from US\$13.3 million for 3Q 2018 to US\$14.4 million for 3Q 2019. Revenue from the Subsea Business increased by US\$0.2 million or 6% from US\$2.6 million for 3Q 2018 to US\$2.8 million for 3Q 2019. The increase in revenue from Offshore Support Services Business and Subsea Business is due to higher utilisation of vessels.

Gross profit

9 months ended 30 September 2019 ("9M 2019") vs 9 months ended 30 September 2018 ("9M 2018")

3 months ended 30 September 2019 ("3Q 2019") vs 3 months ended 30 September 2018 ("3Q 2018")

Gross profit of US\$11.2 million was recorded for 9M 2019 compared to gross loss of US\$2.5 million for 9M 2018.

Gross profit increased by approximately US\$1.9 million from US\$1.6 million in 3Q 2018 to US\$3.5 million in 3Q 2019.

The overall improvement in gross profit was mainly attributable to improved performances from the Offshore Support Services and Subsea Businesses and partially offset by weaker performance from the Shipyard Business.

REVIEW OF GROUP PERFORMANCE (CONT'D)

Other operating income

9 months ended 30 September 2019 ("9M 2019") vs 9 months ended 30 September 2018 ("9M 2018")

Other operating income increased by approximately US\$7.7 million or 91% from US\$8.5 million for 9M 2018 to US\$16.2 million for 9M 2019.

The increase was mainly attributable to gain on debt forgiveness of bank loan of US\$14.3 million recorded for 9M 2019 compared to US\$3.2 million for 9M 2018.

3 months ended 30 September 2019 ("3Q 2019") vs 3 months ended 30 September 2018 ("3Q 2018")

Other operating income decreased by approximately US\$2.6 million or 61% from US\$4.2 million for 3Q 2018 to US\$1.6 million for 3Q 2019.

The decrease was mainly attributable to the absence of gain on debt forgiveness of bank loan of US\$3.2 million recorded in 3Q 2018 and lower interest income of US\$0.2 million. This is partially offset by foreign exchange gain of US\$1.4 million in 3Q 2019.

General and administrative expenses

9 months ended 30 September 2019 ("9M 2019") vs 9 months ended 30 September 2018 ("9M 2018")

3 months ended 30 September 2019 ("3Q 2019") vs 3 months ended 30 September 2018 ("3Q 2018")

General and administrative expenses increased by approximately US\$3.4 million or 31% from US\$11.2 million for 9M 2018 to US\$14.6 million for 9M 2019.

General and administrative expenses increased by approximately US\$1.0 million or 27% from US\$3.6 million for 3Q 2018 to US\$4.6 million for 3Q 2019.

The increase in general and administrative expenses for both periods was mainly due to the Group's restructuring expenses.

Other operating expenses

9 months ended 30 September 2019 ("9M 2019") vs 9 months ended 30 September 2018 ("9M 2018")

Other operating expenses increased by approximately US\$20.0 million from US\$1.3 million for 9M 2018 to US\$21.3 million for 9M 2019.

The increase was mainly due to loss on disposal of vessels of US\$15.5 million, impairment of investment in a joint venture of US\$3.4 million recorded in 9M 2019 and increase in impairment of doubtful receivables of US\$1.7 million from US\$0.4 million for 9M 2018 to US\$2.1 million for 9M 2019.

3 months ended 30 September 2019 ("3Q 2019") vs 3 months ended 30 September 2018 ("3Q 2018")

Other operating expenses increased by approximately US\$4.5 million from US\$0.6 million for 3Q 2018 to US\$5.1 million for 3Q 2019.

The increase was mainly due to impairment of investment in a joint venture of US\$3.4 million in 3Q 2019 and impairment of doubtful receivables of US\$1.5 million in 3Q 2019.

REVIEW OF GROUP PERFORMANCE (CONT'D)

Finance costs

9 months ended 30 September 2019 ("9M 2019") vs 9 months ended 30 September 2018 ("9M 2018")

3 months ended 30 September 2019 ("3Q 2019") vs 3 months ended 30 September 2018 ("3Q 2018")

Finance costs increased by approximately US\$0.3 million or 2% from US\$16.6 million for 9M 2018 to US\$16.9 million for 9M 2019.

Finance costs increased by approximately US\$0.2 million or 3% from US\$5.5 million for 3Q 2018 to US\$5.7 million for 3Q 2019.

The increase in finance costs for both periods was in line with an increase in interest rates, partially offset by a decrease in bank loans outstanding from US\$442.9 million as at 30 September 2018 to US\$416.3 million as at 30 September 2019.

Share of results of joint ventures

9 months ended 30 September 2019 ("9M 2019") vs 9 months ended 30 September 2018 ("9M 2018")

3 months ended 30 September 2019 ("3Q 2019") vs 3 months ended 30 September 2018 ("3Q 2018")

Share of results of joint ventures decreased by approximately US\$0.8 million or 61% from US\$1.3 million for 9M 2018 to US\$0.5 million for 9M 2019.

Share of results of joint ventures decreased by approximately US\$0.4 million or 89% from US\$0.5 million for 3Q 2018 to US\$0.1 million for 3Q 2019.

The decrease in share of results of joint ventures for both periods was mainly attributable to lower profit from the joint ventures.

Share of results of associates

9 months ended 30 September 2019 ("9M 2019") vs 9 months ended 30 September 2018 ("9M 2018")

3 months ended 30 September 2019 ("3Q 2019") vs 3 months ended 30 September 2018 ("3Q 2018")

Share of results of associates was nil for 9M 2019 compared to a loss of US\$2.0 million for 9M 2018.

Share of results of associates was nil for 3Q 2019 compared to a loss of US\$0.4 million for 3Q 2018.

There was no further share of losses of the associates as the Group capped its share of losses up to the Group's interest in the associates.

Taxation

9 months ended 30 September 2019 ("9M 2019") vs 9 months ended 30 September 2018 ("9M 2018")

Taxation expense decreased by US\$0.1 million or 5% from US\$0.8 million for 9M 2018 to US\$0.7 million for 9M 2019 due to lower income tax expense.

3 months ended 30 September 2019 ("3Q 2019") vs 3 months ended 30 September 2018 ("3Q 2018")

Taxation expense increased by US\$0.2 million from US\$0.1 million for 3Q 2018 to US\$0.3 million for 3Q 2019 due to higher withholding tax expenses.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets amounted to US\$345.5 million as at 30 September 2019. The increase in non-current assets from US\$343.2 million as at 31 December 2018 was mainly due to:

- (i) the recognition of right-of-use assets of US\$8.2 million; and
- (ii) the increase in non-current portion of amounts due from related companies by US\$7.1 million.

This was partially offset by:

- (iii) the decrease in property, plant and equipment by US\$10.3 million primarily due to depreciation and sale of a vessel; and
- (iv) the decrease in investment in joint ventures by US\$3.0 million mainly due to impairment of investment in a joint venture.

Current assets

The Group's current assets amounted to US\$91.4 million as at 30 September 2019. The decrease in current assets from US\$125.5 million as at 31 December 2018 was mainly due to:

- (i) the decrease in assets held for sale by US\$28.0 million due to sale of assets;
- (ii) the decrease in cash and bank balances by US\$10.0 million; and
- (iii) the decrease in current portion of amounts due from related companies by US\$6.3 million.

This was partially offset by the increase in trade receivables by US\$6.7 million and increase in other receivables by US\$3.2 million.

Current liabilities

The Group's current liabilities amounted to US\$597.4 million as at 30 September 2019. The decrease in current liabilities from US\$612.3 million as at 31 December 2018 was attributed mainly to:

- (i) the decrease in bank loans by US\$26.8 million;
- (ii) the decrease in trade payables by US\$2.6 million;
- (iii) the decrease in notes payable by US\$0.8 million due to foreign exchange movement; and
- (iv) the decrease in amounts due to related companies by US\$0.6 million.

This was partially offset by:

- (v) the increase in other liabilities by US\$15.4 million; and
- (vi) the increase in lease liabilities by US\$0.7 million.

The Group is in negative working capital position of US\$506.0 million as at 30 September 2019. The Group is in the process of restructuring its debt obligations, please refer to Note 10 for more information.

Non-current liabilities

The Group's non-current liabilities amounted to US\$23.3 million as at 30 September 2019. Non-current liabilities increased from US\$15.0 million as at 31 December 2018 primarily due to increase in lease liabilities of US\$8.3 million, in line with the recognition of right-of-use assets.

REVIEW OF CASH FLOWS

In 3Q 2019, the Group generated net cash outflows of US\$0.1 million.

Net cash inflow from operating activities was US\$4.1 million, which was mainly due to cash inflow from operating activities before working capital changes of US\$3.2 million and net working capital inflow of US\$1.2 million. This was partially offset by and net interest and taxes paid of US\$0.3 million.

Net cash outflow from investing activities was US\$4.1 million mainly due to deposit paid for proposed acquisition of a company of US\$2.7 million and purchase of property, plant and equipment of US\$1.7 million. This was partially offset by dividend income from joint venture of US\$0.3 million.

Net cash outflow from financing activities was US\$0.1 million, which was mainly due to cash and cash balances pledged as securities of US\$0.1 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

On a quarter-on-quarter basis, the Group registered stronger gross profit for 3Q 2019 though revenue was slightly lower mainly due to weaker shipyard performance in 3Q 2019. The Group continued to record a net loss in 3Q 2019 due to higher restructuring expenses and write-off of investment in a joint venture entity. The Group expects macro uncertainties to continue to weigh down on market sentiments in the near term. While overall vessel utilisation has improved, the Group remains cautious on the outlook for the next 12 months and will continue to focus on improving its operating performance and its debt restructuring efforts.

On 7 October 2019, the High Court of the Republic of Singapore has granted the Company, Pacific Crest Pte Ltd ("PCPL") and CSI Offshore Pte Ltd ("CSIO") (collectively the "Entities") an extension of the existing moratoria to 28 February 2020. The Entities are granted liberty to convene the Court meetings for the purposes of considering and approving the schemes of arrangement proposed to be made between each of the Entity and their respective creditors. The Court meetings shall be convened on or before 18 February 2020, at a time and venue in Singapore to be determined.

Further on 11 October 2019, the Group announced that noteholders of the S\$100 million notes issued by the Company (the "Notes") have approved the extension of the maturity date of the Notes to 31 March 2020 to allow time for the Group to complete its debt restructuring.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend was recommended as the Group is in a net loss position and in the midst of debt restructuring.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Not applicable as the Group has not obtained a general mandate from shareholders for Interested Party Transactions (“IPTs”).

14. Confirmation of Directors and Executive Officers' undertakings pursuant to Listing Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

15. Confirmation by the Board pursuant to SGX Listing Rule 705(5)

The Board hereby confirms to the best of its knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the nine months ended 30 September 2019 to be false or misleading in any material respect.

On behalf of the Board of Directors

**Pang Yoke Min
Executive Chairman**

**Mok Weng Vai
Executive Director**

12 November 2019