Modex AS

FRN Senior Secured NOK 550,000,000 Bonds 2021/2026

ISIN NO0010932460

Admission Document

This admission document (the "**Admission Document**") has been prepared by Modex AS (the "**Issuer**" or the **Company**") in connection with listing of the bonds (the "**Bonds**") issued under the Company's FRN Senior Secured NOK 550,000,000 Bonds with ISIN NO0010932460 (the "**Bond Issue**"). The Bond Issue is guaranteed by intermediate parent company Modex Holding Limited (the "**Intermediate Parent**") together with its consolidated subsidiaries and the Company (the "**Group**" or "**Modex**"), including Modex Energy Rentals Singapore Pte. Ltd., Modex Energy Rentals LLC, Modex Singapore Pte. Ltd., Modex USA Holding, Inc., Modex LLC and Euro Offshore Holding AS.

This Admission Document does not constitute a prospectus under the Prospectus Regulation (Regulation (EU) 2017/1129) or the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**Prospectus Regulations**") and has neither been prepared to comply with the Prospectus Regulation nor with any other ancillary rules and regulations relating to prospectuses. This Admission Document has been inspected by Nordic ABM as part of the Nordic ABM listing process but has not been reviewed by or approved by the Norwegian Financial Supervisory Authority (*Nw.: Finanstilsynet*) or any other public authority.

This Admission Document has been prepared solely for information purposes in connection with the listing of the Bonds on the Nordic ABM, a list of registered bonds operated by Oslo Børs ASA and for which Oslo Børs ASA determines the rules (the "**ABM-rules**") in consultation with market participants. The Admission Document does not constitute or form part of any offer or other solicitation to subscribe for or purchase any bonds or other securities and is not intended to form the basis of any investment decision.

Distribution of this Admission Document may be restricted by local securities legislation, and failure to comply with these restrictions may constitute a violation of applicable securities legislation. Persons who become in possession of this Admission Document may be required to inform themselves about and to observe all such restrictions. None of the Issuer or their Affiliates (as defined in the bond terms attached hereto) shall be held responsible or liable for any violation of such restrictions by recipients of this Admission Document.

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES. ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A "US PERSON" EXCEPT IN TRANSACTIONS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS.

The information included in this Admission Document is as of the date hereof. Any publication or distribution of this Admission Document subsequent to such date shall not be taken as a representation that the information included herein is still correct and accurate.

This Admission Document is subject to Norwegian law. Any dispute arising in respect of this Admission Document is subject to the exclusive jurisdiction of Norwegian courts, with Oslo District Court (*Nw.: Oslo Tingrett*) as legal venue.

This Admission Document is dated 2 September 2021.

RESPONSIBILITY STATEMENT

Modex AS confirms, having taken all reasonable care to ensure that such is the case, that the information contained in the Admission Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

30 August 2021

Modex AS

John Heiton

CEO of the Group and Chairman of Modex AS

REQUIREMENTS FOR THE LISTING DOCUMENT

This document has been prepared in accordance with the ABM-rules section 2.7 to address the additional requirements for the listing document set out in the ABM-rules section 2.7.2.3:

1. **Business name, registered office, and head office if different from the registered office**

   The Issuer's registered office is at Nordlysvegen 2, 4340 Bryne, in the county Time, Norway.

2. **Date of incorporation**

   The Issuer was incorporated on 31 March 2003.

3. **The legislation to which the borrower is subject**

   The Issuer is incorporated under the laws of Norway.

4. **Indication of the borrower's objects and purposes as set out in its articles of association**

   The Issuer's object and purpose are to be a supply unit with primary markets within offshore development, operations and maintenance as well as the processing industry and to engage in letting of containers as well as to participate in companies with similar operations.

5. **Company registration number**

   The Issuer's company registration number is 985 566 461.

6. **The borrower's equity capital and the distribution of this capital between distributable reserves and undistributable reserves. Details must be given of imminent changes in the issued capital that have been formally approved**

   Please refer to p. 6 of the interim report for the six-month period ended 30 June 2021 (the "**Interim Report**") in Appendix 1A and p. 4 of the annual accounts for the financial year ended 31 December 2021 (the "**Annual Report**") in Appendix 1C for an overview of the Issuer's equity capital and the distribution of such.

7. **Information on the borrower's borrowings and outstanding loans. Any loss trend must be summarised and commented on**

   Apart from the Bond loan, the Issuer's borrowings and outstanding loans are set out in p. 6 of the Interim Report in Appendix 1A and p. 4 of the Annual Report in Appendix 1C. Key details regarding the Bond loan is set out in Appendix 3 (Loan Description).

8. **If the borrower belongs to a group, or to a group of undertakings that are interrelated through common ownership or common management, a brief description of the structure and ownership of the group and the borrower's role within the group**

   Current legal structure

   As of the date of this Admission Document, the Issuer is a fifth-tier subsidiary of OEG Group Limited ("**OEG**"). Please see Section 2(22) "Miscellaneous" for further details of OEG. The table below illustrates the current legal structure of the Group.

Company	Tiered subsidiary	Country of incorporation	Holding	Reg. no.	Description
OEG Group Limited	-	United Kingdom	-	12134998	Shareholder
Modex Holding Ltd.	First-tier	British Virgin Isles (BVI)	100%	1811668	Parent and holding

					company of the Group
Modex Asia Ltd.	Second-tier	Hong Kong (HK)	100%	1402406	Holding company
Modex Energy Rentals LLC	Third-tier	Marshall Islands	100%	962147	Non-operational holding company
Modex Energy Do Brasil Serviços LTDA	Fourth-tier	Brazil	100%	NIRE 33.2.0958365-4	Brazil operating company
Modex Energy Rentals Pte. Ltd.	Fourth-tier	Singapore	100%	201304109M	Singapore holding company
Modex Usa Holding, Inc.	Fifth-tier	Delaware, USA	100%	5731864	American holding company
Modex LLC	Sixth-tier	Louisiana, USA	100%	36242037K	USA operating company
Modex Singapore Pte. Ltd	Third-tier	Singapore	100%	201207293C	Non-operational holding company
Euro Offshore Holding AS	Fourth-tier	Norway	100%	912196968	Holding company of the Issuer
Modex AS	Fifth-tier	Norway	100%	985566461	Issuing entity of Bonds
Modex Middle East FZE	Third-tier	United Arab Emirates (UAE)	100%	11048	UAE Branch
Modex Australia Pty. Ltd.	Third-tier	Australia	100%	88152725650	Formerly operating company in Australia, now inactive

9. The number, book value and nominal value of own shares owned by the borrower or by a company in which the borrower directly or indirectly owns more than 50% of the shares

As of the date of this Admission Document, the Issuer does not hold any treasury shares.

10. Description of the borrower's principal activities, stating the main categories of products sold and/or services performed, as well as a description of the borrower's corporate structure or organisational structure. If relevant, an indication of any significant new products and/or activities

Introduction to the container business

The Group leases out and sells high specification DNV certified Cargo Carrying Units ("CCUs") to energy majors, global energy service companies and offshore companies. The CCUs are used to store and transport goods to and from offshore platforms and projects, providing a level of safety and preservation to the goods transported. Examples of goods transported are food, tools, waste, drilling mud, chemicals, helicopter fuel and other fluids. As a result of the NORSOK-regulation, only approved high-specification CCUs can be used to store and transport the goods. 81.5% of Modex's CCUs are NORSOK-compliant and can therefore serve markets across the world, while the local US and Asian companies' assets typically cannot serve the Norwegian Continental Shelf as they typically are not NORSOK-compliant.

Overview of the Group's operations

The Group mainly focus on two operations: leasing of CCUs and sale of equipment. The CCUs are leased out through framework agreements and in the spot market via ad-hoc arrangements. In addition, the Group sells offshore equipment and parts, both new and used.

1. **Framework agreement leasing**: The majority of Modex's revenue comes from clients under framework agreements. These typically have a three to ten-year duration at the time of signing and often include extension options. Modex has a strategy to maintain a solid foundation of long-term framework agreements in order to ensure steady cash flows and constantly seeks to expand its portfolio of framework agreements.
2. **Ad-hoc and spot leasing**: Modex also leases out equipment on an ad-hoc basis at spot rates. This has typically consisted of a smaller fraction of the total revenue but is an important contribution to the earnings and EBITDA margins. The Company offers its services in the spot market in order to capture the benefits of high margin projects.
3. **Sales revenue**: In addition to leasing, Modex sells equipment via third parties and trade used parts for offshore projects. The company also acts as an agent for the sale of mobile homes in the US. Third-party sales include the sale of various CCUs and constituted 80% of the total 2020 sales revenue, with an average margin of 26%. The trading business consists of buying and selling offshore surplus materials, and constituted 15% of the 2020 sales revenue, with average margins of around 80%. US mobile homes contributed to the last 5% of the 2020 sales revenue.

In 2020, 58% of the Group's revenue came from framework agreements, 24% from ad-hoc and spot leasing, and 18% from the sales business.

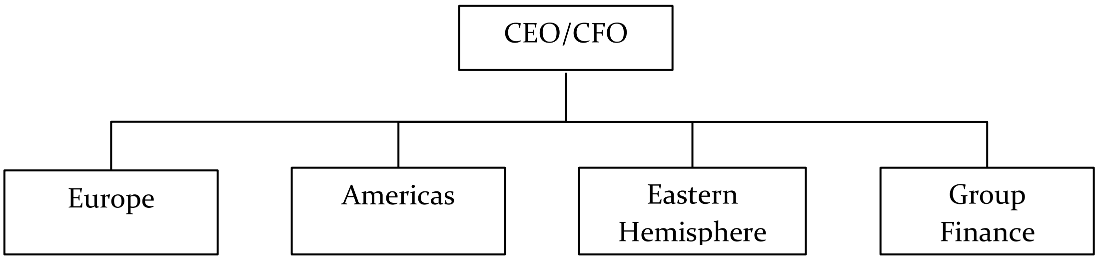
Modex's CCUs are typically used throughout an offshore project's lifecycle, from installation to decommissioning.

1. **Installation**: Installation and hook-up of, e.g., offshore rigs and wind farms require a supply of materials. Modex supplies cargo containers, lifting baskets, workshops, temporary housing cabins for personnel, storage containers, and various liquid handling tanks, which are required for this phase.
2. **Production, maintenance and modification**: During production, waste tanks are needed to handle fluids and mud resulting from production of oil and gas. Certain fields also require chemicals to maintain the reservoir quality and pressure. These chemicals are stored in Modex's containers. The containers are also used to transport and store essential equipment used in maintenance and modifications of offshore platforms and installations in general.
3. **Decommissioning**: The decommissioning phase has many similarities with the installation phase in terms of container usage. After completion of projects, the units are brought back to the yards, where they are stackable and require low storage costs.

Organisational structure:

The operational structure is focused on short communication lines in order to enhance direct interaction between all group elements. It features three business areas and a Group Finance Department reporting to the Chief Executive Officer ("**CEO**") and Chief Financial Officer

("**CFO**"). The Group also has a matrix approach for cross region support, such as HSEQ, IT, and marketing. Modex has 95 employees on a permanent basis.



Europe

The Europe division is headquartered in Bryne, Norway, and is responsible for all activities taking place in Europe. This division is also taking the lead on product innovations, being the biggest division with 59 employees.

Americas

The Americas division is headquartered in Lafayette, Louisiana, USA, and includes Brazilian and Canadian operations. In addition to the core business of offshore container rental, the operations include trading of onshore mobile homes. This division has 13 employees.

Eastern Hemisphere

The Eastern Hemisphere division consists of two separate regions: South East Asia and Middle East. The Singapore office is the South East Asia headquarters, while the Middle East headquarters are in Dubai (but reports to the Singapore office). The South East Asia region also covers Papua New Guinea, Taiwan, Japan and Korea. This division has 19 employees.

Group Finance

The Group Finance Department is located at the Singapore office and is responsible for all Group reporting and financial matters, as well as supporting the accounting staff in all divisions. This division has 4 employees.

11. Information on turnover and operating results during the past two financial years

Please refer to p. 2 of the Annual Report and p. 4 – 5 of the Interim Report in Appendix 2A and 2B, respectively, for an overview of the Group's turnover and operating results for the past two financial years.

12. Location and size of establishments accounting for more than 10% of the borrower's turnover or production. A summary account of real estate of significance owned by the borrower

The Group’s assets are located in four main regions: Europe, South East Asia, Americas, and Middle East. The assets are situated close to the key global energy markets and enable Modex to be close to the clients. In addition to its own facilities, Modex also utilises local agents through partnerships to increase flexibility and ensure adaptability to the different regions’ needs.

Overview of the fleet, fleet by region and key stats by region

Fleet Summary			
Type	**Quantity**	**Age (average)**	**Economic life[1]**
Cargo	14,841	7.7	15-20 years
Cabin	253	5.5	25-30 years
Tank	2,220	7.8	20-25 years
Total	**17,314**	**7.7**	**15-30 years**

2020 Fleet Allocation by Region				
Region	**Cargo**	**Cabin**	**Tank**	**Total Quantity**
Europe	11,856	59	2,185	14,100
South East Asia	1,647	80	28	1,755
Americas	967	75	7	1,049
Middle East	371	39	-	410
Total	**14,841**	**253**	**2,220**	**17,314**

2020 Key stats by region (NOKm)				
Region	**OEC[2]**	**Rental Income**	**Utilisation**	**CoC**
Europe	1,071	195	74%	25%
South East Asia	197	31	55%	29%
Americas	116	23	48%	41%
Middle East	60	17	68%	41%
Total/average	**1,445**	**266**	**70%**	**26%**

13. **For mining, power production, petroleum extraction and similar activities a description of deposits, an estimate of economically exploitable reserves and expected period of lifetime must be provided where this information is of material importance**

Not applicable.

14. **Where the information given pursuant to 11 to 13 has been influenced by extraordinary circumstances, that fact shall be mentioned**

Not applicable.

15. **Information on patents and licences, production, financing and sales agreements and on new production methods owned by the borrower and on which the borrower is dependent, where such factors are of significant importance to the borrower's business**

Modex is involved in three types of business arrangements: framework agreements, ad-hoc leasing and sales.

Framework agreements

Each framework agreement defines the quantity of various units (with specifications) that should be made available for the client at the relevant yard, the leasing price per unit, and the responsibilities of each party with respect to transportation and maintenance of the assets. Clients are then charged based on their utilisation under each framework agreement without any guarantee for actual lease income.

Topics that are typically regulated in the framework agreements include, inter alia:

[1] Assuming two (2) refurbishment cycles, which includes sandblasting and painting.
[2] Original Equipment Cost.

- Scope of work - supply bases, types of units, organisation, delivery
- Compensation - daily rates, purchase prices, price adjustments
- Schedule - main contract period and options periods
- Administration requirements - ESG, risk management, HSG
- Technical specifications - certain adjustments for the specific fleet
- Subcontractors - approved and appointed subcontractors
- Company's insurances - insurance requirements
- Standard Bank Guarantees - guarantee requirements
- Parent Company Guarantee - guarantee from Modex Holding Ltd.

Ad-hoc leasing

Modex also leases out available assets that are not included in the pools of their framework agreements. Ad-hoc leasing is directed towards both clients under framework agreements (when the assets they need are not covered under the agreement) and new clients, and the leasing period can be fixed or variable. This enables the company to achieve higher utilisation of its fleet, and the prices and detailed terms are decided on a case-by-case basis depending on the needs of the client.

Sales

The third-party sales business consists of Modex selling both new and secondary CCUs, tanks and pressurised units. These transactions have limited risk as the suppliers are paid upon receipt of payments from clients. The Company also buys and sells offshore surplus materials such as valves, cables, pipes and fittings. Modex keeps an inventory of parts and is exposed to the risk of not being able to sell parts of its inventory. However, most of the parts are sourced at close to scrap prices, as Modex offers "clean out" services to clients and collect surplus materials as a part of this process.

Overview of contract portfolio

As a leading supplier of offshore equipment worldwide, Modex has had the opportunity to supply and service high profile and prestigious clients. The Company has witnessed recurring business from the most important clients over several years.

Significant clients and contracts

The Company has especially five contracts of significant value four different clients. The most valuable are two framework agreements for Equinor, which has been active since 2016 with an option to extend until 2025, the same period as for the second most valuable contract with Conoco Phillips. The third and fourth most valuable clients in terms of framework agreements are Schlumberger and Odfjell, both being long-term clients of Modex.

16. Information on any legal disputes, arbitration proceedings, legal decisions, arbitration rulings or settlements not shown in the accounts appended to the

admission document which have or may have a significant effect on the borrower's financial position

Not applicable.

17. **Description, with figures, of the main investments made, including investment in shares, units, bonds etc., over the past three financial years and so far in the current financial year**

Not applicable

18. **Information concerning the principal investments being made with the exception of interests being acquired in other undertakings. Distribution of these investments geographically and by method of financing**

No principal investments are currently being made by the Issuer.

19. **Information concerning any major future investments planned by the borrower that have been approved by its corporate bodies**

There are no firm major investment decisions made by the Issuer's corporate bodies as of the date of this Admission Document.

20. **Audited financial information in accordance with the accounting legislation to which the borrower is subject for the two preceding financial years or for such shorter accounting period as the borrower has been in existence. Oslo Børs ASA may require a statement based on the three preceding financial years if called for in special circumstances. Interim reports in accordance with section 3.4.4 shall be included if such reports have been published since the most recent annual report. It must be stated whether or not the interim report has been audited**

Please see p. 1 – 15 of Appendix 1C (FY 2020), p. 1 – 15 of Appendix 1D (FY 2019) and p. 1 – 15 of Appendix 1E (FY 2018) for an overview of the Issuer's audited financial information for each of the financial years ended 31 December 2020, 2019 and 2018. Please see p. 1 – 15 of Appendix 1A (Q2 2021) and p. 1 – 15 of Appendix 1B (Q1 2021) for an overview of the Issuer's unaudited interim financial information for the three month period ending on 31 March 2021 and the six month period ending on 30 June 2021. For the avoidance of doubt, each of the interim reports covering the first and second quarter of 2021 has not been audited.

Please see p. 1 - 50 of Appendix 2A (FY 2020), p. 1 – 53 of Appendix 2B (FY 2019), p. 1 – 50 of Appendix 2C (FY 2018) for an overview of the Intermediate Parent's audited consolidated financial information for each of the financial years ended 31 December 2020, 2019 and 2018.

21. **General information on the development of the borrower's activities since the end of the financial year covered by the last published annual accounts. Information on the most significant recent trends in production, sales and stocks and the state of the order book, and recent trends in costs and selling prices and other factors of material significance for operations.**

<u>Subsequent events since the end of the financial year:</u>

The Group ended 2020 with its best performance to date. Despite the challenges posed by the COVID-19 pandemic and the turbulent economy in the world, the Group managed to improve on its performance from 2019, even after taking into consideration foreign exchange effects and one-off gains. This shows the resilient nature of the Group's revenue streams due to the strong partnerships with the customers.

Although there is a decrease in revenue, this was mainly due to a USD 4.8m decrease in the sales of equipment due to customers reducing their capital expenditure in 2020. As mentioned above, the rental revenue was resilient and only decreased by 2%, which is mainly due to the weaker NOK against USD in 2020.

During the year, the Group managed to keep costs low to offset the effect of reduced contribution from equipment sales. Activities such as equipment movement, travelling, and equipment-sales related activities were reduced to keep costs to a minimum. This resulted in the Group being able to offset the reduction in sales contribution fully.

During the year, the Group incurred extraordinary expenses in an unsuccessful attempt to acquire a competitor.

OEG's acquisition of Modex Holding Limited

On 28 July 2021, OEG acquired 100% of Modex Holding Limited, (being the former ultimate parent of the Group).

OEG intends to support the Issuer's management team to continue to develop and grow their market-leading position in Norway through access to the wider available resources of OEG, a global market leader in specialist offshore containers with ~75,000 units.

OEG is also investing and developing to follow the wider energy transition, and OEG's customers' pivot towards renewable energy. OEG will accelerate the early investment that Modex has made in specialist cryogenic tanks for the LNG market, internationalise its offering of the world's first in-turbine welfare units for the offshore wind sector, as well as developing through organic and inorganic means its focus on the adjacent onshore and offshore wind industry.

Furthermore, OEG is exploring possible transactions involving the Issuer and/or other actions pertaining to the Bonds. which may be initiated in the near future. Such transactions and/or actions will, if carried out, require certain amendments to the Bond Terms. Any amendments to the Bond Terms will have to be resolved by the bondholders with the requisite majority as regulated in the Bond Terms appended hereto as Appendix 4. No firm decisions have been made in respect of the contemplated transactions and/or actions.

22. Names, addresses and functions in the issuing undertaking of the following persons, and an indication of the principal activities performed by them outside the borrower where these are significant in relation to the borrower:

a) Members of the administrative, management or supervisory bodies

The Group's executive management	Function
John Heiton	Chief Executive Officer
Jens Petter Broch	Regional Director Europe
Paal Wilsgaard	Regional Director Eastern Hemisphere
Garret Gauthier	Regional Director Americas
Gavin Collins	Global Commercial Director
Desmond Boo	Financial Controller

The Issuer's board of directors	Function
John Heiton	Chairman of the Board
Jens Petter Broch	Board Member

b) General partners if the borrower is a limited partnership Company

Not applicable.

23. Identity of the parties who assisted the borrower in the preparation of the admission document. Where the admission document has been prepared by a party other than the borrower, this party's name must be provided. Where a party has prepared only parts of the admission document, the parts to which this applies must be specified

Advokatfirmaet Schjødt AS has assisted the Issuer in the preparation of this Admission Document.

24. The name and address of the auditor who has audited the borrower's annual report and accounts for the last three financial years. If the auditor has deemed that the accounts should not be adopted as they stand or has made comments, qualifications or reservations in the audit report, this must be stated together with the reasons given. If the borrower has replaced the auditor during the past three years, or the auditor has stepped down and has given grounds for so doing, this must be mentioned. If the auditor has audited information in the admission document, the admission document shall state which information was audited

The Issuer's financial statements have been audited by Deloitte AS, with the registered business address at Strandsvingen 14A, 4032 Stavanger, Norway, for the financial years 2020, 2019 and 2018. The Intermediate Parent's financial statements have been audited by Deloitte & Touche LLP (Singapore), with registered business address at 6 Shenton Way, OUE Downtown 2, #33-00, Singapore 068809, for the financial years 2020, 2019 and 2018.

25. Information on where the documents mentioned in the admission document in respect of the borrower are available for inspection

This Admission Document and the signed responsibility statement, together with any appendices mentioned herein, may be inspected at the Company's registered offices at Nordlysvegen 2, 4340, Bryne, Time, Norway.

<u>**Appendices**</u>:

Appendix 1A:	The Issuer's unaudited interim financial statements for the six-month period ended 30 June 2021
Appendix 1B	The Issuer's unaudited interim financial statements for the three-month period ended 31 March 2021
Appendix 1C	The Issuer's audited financial statements for the financial year of 2020
Appendix 1D	The Issuer's audited financial statements for the financial year of 2019
Appendix 1E	The Issuer's audited financial statements for the financial year of 2018

Appendix 2A	The Intermediate Parent's audited consolidated financial statements for the financial year of 2020
Appendix 2B	The Intermediate Parent's audited consolidated financial statements for the financial year of 2019
Appendix 2C	The Intermediate Parent's audited consolidated financial statements for the financial year of 2018
Appendix 3	Loan description
Appendix 4	Bond Terms

APPENDIX 1A

THE ISSUER'S UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 June 2021

Modex Holding Limited
Modex AS

Unaudited 2nd Quarter Results 2021

Group Overview

The highlights for Modex Group for the 2nd quarter 2021 were:

- Revenue was USD 10,354K, an increase of 8% as compared to 2nd quarter 2020. Rental increased by 20%, but it was partially offset by a 3 % decrease in equipment sales.
- EBITDA of USD 4,471K, a decrease of 4% as compared to Q2 2020 due to one-off gain of $1,061K recorded in Q2 2020 for the disposal of assets, and a waiver of payables connected to the asset disposal.
- EBITDA margin of 43% as compared to 33% in Q2 2020.

On 28 July 2021, OEG Group Limited ("OEG") acquired 100% of the Modex Holdings Limited. OEG intends to continue to develop and grow their market leading position in Norway, through access to the wider available resources of the OEG, the global market leader in specialist offshore containers with ~75,000 units.

Income Statement

Revenue in 2nd quarter 2021 was USD 10,354K compared to USD 9,595K in 2nd quarter 2020.

Rental revenue increased from USD 7,241K in Q2 2020 to USD 8,654K in Q2 2021. Equipment utilisation in all regions except Southeast Asia and Middle East were higher in Q2 2021 as compared to Q2 2021 as activity levels continue to increase. Equipment sales decreased slightly from USD 2,354K in Q2 2020 to USD 1,700K in Q2 2021.

EBITDA ended at USD 4,471K, lower than 2Q 2020 due to a one-off gain of $1,061K recorded in 2Q 2020. EBITDA margin ended at 43%, higher than 33% in the Q2 2020.

Net financial cost in Q2 2021 was USD 1,713K, significantly higher than Q2 2020 due to higher borrowing costs as a result of the change in long term financing from a bank loan to a bond which was issued in March 2021.

Balance Sheet

Total assets were USD 161m at the end of the quarter, with an equity ratio of 38.4%.

The group's net interest-bearing debt was USD 61.4m (excluding subordinated shareholder loans) with a bank cash balance of USD 5.9m. Leverage ratio is 3.59 times as at Q2 2021.

Cash Flow

Cash flow from operating activities was USD 3,197K in Q2 2021 versus USD 7,334K in Q2 2020. Higher operating cashflow in Q2 2020 is mainly due to the effect of waiver of payables relating to the disposal of assets.

Net cash flow outflow from investment activities was USD 1,459K, a decrease from USD 1,816K in Q1 2020.

Net cashflow outflow from financing activities was USD 1,376K in Q2 2021, as compared to USD 4,333K in Q2 2020, mainly due loan principal repayment in Q2 2020.

Order Backlog & Market

The activity in 2021 has continued to improve steadily since Q2 2020 and the long- term outlook remains positive. With the stabilisation of oil prices, activity looks set to improve further. However, Modex is also looking into other opportunities such as investments in the green-energy sector.

HSEQ

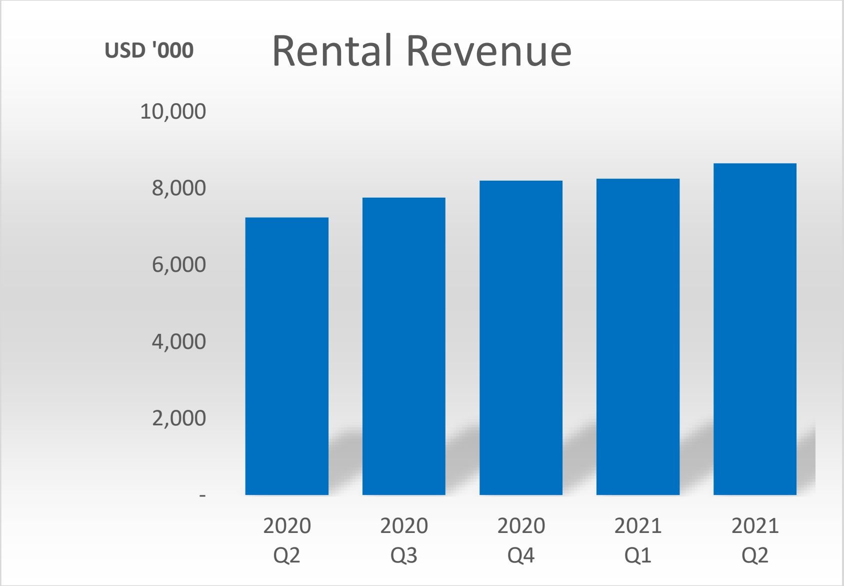
At the end of Q2 2021 Modex Group had 95 employees, unchanged from last quarter.

No serious incidents this quarter, resulting in a total Serious Incident Frequency (SIF) in the period of Nil and Nil during the last 12 months.

Business Segments

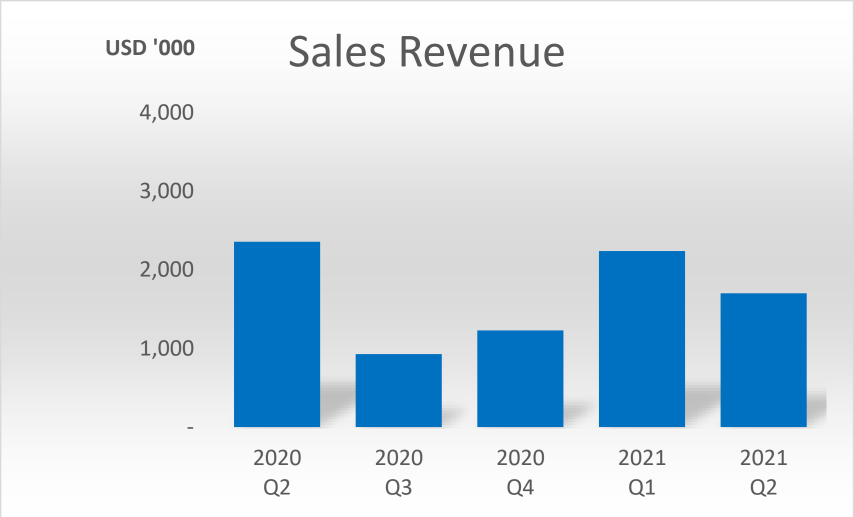
Rentals

The Rentals segment continued to improve in Q2 2021 due to increase in activity level.



Sales

The Sales segment decreased slightly as compared to Q1.



Modex Holding Limited
Condensed Consolidated Income Statement

Group Summary Amounts in USD thousand	**Q2** **2021**	**Q2** **2020**	**YTD** **2021**	**YTD** **2020**	**FY** **2020**
Rental revenue	8,654	7,241	16,909	15,726	31,690
Sales revenue	1,700	2,354	3,936	4,672	6,829
Total Revenue	10,354	9,595	20,845	20,398	38,519
Rental fleet operating expense	(2,210)	(1,703)	(4,360)	(3,688)	(8,032)
Cost of goods sold	(1,207)	(1,791)	(2,760)	(3,288)	(5,134)
Other operating income	221	1,585	304	1,639	1,791
Employee benefits expense	(1,773)	(1,416)	(4,030)	(3,511)	(7,711)
Other operating expenses	(763)	(861)	(1,643)	(1,778)	(3,059)
Forex exchange	(151)	(765)	(239)	(1,542)	845
EBITDA	**4,471**	**4,644**	**8,117**	**8,230**	**17,219**
Extraordinary expenses	-	-	-	-	(620)
Amortisation of intangible assets	-	-	-	(116)	(116)
Depreciation of plant and equipment	(2,733)	(2,304)	(5,406)	(4,969)	(10,004)
Leased assets depreciation	(456)	(458)	(913)	(919)	(1,884)
EBIT	**1,282**	**1,882**	**1,798**	**2,226**	**4,595**
Finance income	43	51	85	83	194
Finance expenses	(1,716)	(1,064)	(3,237)	(2,282)	(4,269)
Lease assets interest expense	(40)	(55)	(85)	(115)	(228)
Profit/(Loss) before taxation	**(431)**	**814**	**(1,439)**	**(88)**	**292**
Income tax credit (expense)	55	(158)	103	(101)	(99)
Net profit/(loss)	**(376)**	**656**	**(1,336)**	**(189)**	**193**

Modex Holding Limited
Condensed Consolidated Statement of Comprehensive Income

Group Summary Amounts in USD thousand	**Q2** **2021**	**Q2** **2020**	**YTD** **2021**	**YTD** **2020**	**FY** **2020**
Net profit/(loss) for the period	**(376)**	**656**	**(1,336)**	**(190)**	**193**
Exchange differences on translation of foreign operations	1,047	(2,106)	529	(4,946)	250
Non-controlling interests	-	-	-	-	-
Net profit/(loss) for the year	**671**	**(1,450)**	**(807)**	**(5,136)**	**443**

Modex Holding Limited
Condensed Consolidated Balance Sheet

Group Summary Amounts in USD thousand	**Q2** **2021**	**Q2** **2020**	**FY** **2020**
Property, plant and equipment	92,230	89,383	94,796
Goodwill	41,137	37,774	40,636
Intangible assets	-	(1,189)	-
Right of use assets	3,069	4,369	3,981
Finance lease receivables	2,165	2,700	2,489
Total Non-Current Assets	**138,601**	**133,037**	**141,902**
Finance lease receivables	804	588	751
Inventories	1,981	1,630	1,893
Trade and other receivables	9,093	10,942	8,115
Deposits and prepayments	4,497	2,025	2,154
Bank balances and cash	5,892	3,015	3,546
Total Current Assets	**22,267**	**18,201**	**16,459**
TOTAL ASSETS	**160,868**	**151,238**	**158,359**
Share Capital	129,819	129,819	129,819
Reserves	(68,080)	(72,853)	(67,273)
Total Equity	**61,739**	**56,966**	**62,546**
Other payables	3,154	2,818	3,015
Loans	65,804	58,796	-
Lease liabilities	1,450	4,150	2,388
Shareholders Loan	10,000	10,000	10,000
Deferred tax	5,331	3,986	5,230
Total Non-Current Liabilities	**85,739**	**79,750**	**20,633**
Trade Payables	9,597	12,070	9,934
Other payables and accruals	2,170	622	1,976
Loans	-	-	61,481
Lease liabilities	1,623	1,828	1,789
Total Current Liabilities	**13,390**	**14,520**	**75,180**
TOTAL LIABILITIES	**99,129**	**94,270**	**95,813**
TOTAL EQUITY AND LIABILITIES	**160,868**	**151,236**	**158,359**

Modex Holding Limited
Condensed Consolidated Statement of Changes in Equity

Amounts in USD thousand	Share capital	Capital reserve	Merger reserve	Translation reserve	Retained earnings	Total
01 January 2020	129,819	5,468	(5,433)	(22,824)	(44,928)	62,102
Net profit/(loss)	-	-	-	-	(190)	(190)
Exchange differences on translation	-	-	-	(4,946)	-	(4,946)
Total comprehensive income (loss) for the year	-	-	-	(4,946)	(190)	(5,136)
Equity as at 30 June 2020	**129,819**	**5,468**	**(5,433)**	**(27,770)**	**(45,118)**	**56,966**

Amounts in USD thousand	Share capital	Capital reserve	Merger reserve	Translation reserve	Retained earnings	Total
01 January 2021	129,819	5,468	(5,433)	(22,574)	(44,734)	62,546
Net profit/(loss)	-	-	-	-	(1,336)	(1,336)
Exchange differences on translation	-	-	-	529	-	529
Total comprehensive income (loss) for the year	-	-	-	529	(1,336)	(807)
Equity as at 30 June 2021	**129,819**	**5,468**	**(5,433)**	**(22,045)**	**(46,070)**	**61,739**

Modex Holding Limited
Condensed Consolidated Statement of Cash Flow

Amounts in USD thousands	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
EBITDA	4,471	4,644	8,117	8,230	17,220
Taxes paid	(32)	(67)	(63)	(158)	(213)
Change in net working capital	(1,242)	2,757	(2,305)	2,411	(4,234)
Others non-operating expenses	-	-	-	-	(620)
Net cash flow from operating activities	**3,197**	**7,334**	**5,749**	**10,483**	**12,153**
Capex less disposals	(1,783)	(2,018)	(2,030)	(2,403)	(1,499)
Proceeds from finance lease receivables	282	150	464	248	464
Interest received	42	52	85	83	194
Acquisition of NCI	-	-			-
Net cash flow from investing activities	**(1,459)**	**(1,816)**	**(1,481)**	**(2,072)**	**(841)**
Net repayment of interest bearing debt	(521)	(3,490)	(62,473)	(5,698)	(8,781)
Net proceeds from bond issue	-	-	62,087	-	-
Net interest paid	(855)	(843)	(1,511)	(1,722)	(3,161)
Net cash flow from financing acitivites	**(1,376)**	**(4,333)**	**(1,897)**	**(7,420)**	**(11,942)**
Total Cash flow	**362**	**1,185**	**2,371**	**991**	**(630)**
Effect of currency translation	(81)	(2,021)	(25)	(1,798)	354
Opening bank balance	5,611	3,851	3,546	3,822	3,822
Closing bank balance	**5,892**	**3,015**	**5,892**	**3,015**	**3,546**

Modex AS
Condensed Income Statement

Amounts in NOK thousands	**Q2 2021**	**Q2 2020**	**YTD 2021**	**YTD 2020**	**FY 2020**
Revenue	63,052	68,590	129,833	129,448	245,077
Other operating income	298	487	550	663	1,633
Direct Cost	(10,080)	(16,863)	(24,072)	(25,345)	(45,211)
Employee benefits expense	(9,103)	(8,089)	(22,603)	(22,319)	(48,555)
Other operating expenses	(14,336)	(12,484)	(29,112)	(26,253)	(58,433)
EBITDA	**29,831**	**31,641**	**54,596**	**56,194**	**94,511**
Extraordinary expenses	-	-	-	-	(885)
Depreciation of plant and equipment	(14,326)	(13,582)	(28,509)	(27,241)	(54,884)
EBIT	**15,505**	**18,059**	**26,087**	**28,953**	**38,742**
Finance income	4,163	2,477	7,408	4,992	9,389
Finance expenses	(13,593)	(11,938)	(23,817)	(25,203)	(15,565)
Profit before taxation	**6,075**	**8,598**	**9,678**	**8,742**	**32,566**
Income tax expense	-	(1,891)	-	(1,923)	(7,204)
Net profit	**6,075**	**6,707**	**9,678**	**6,819**	**25,362**

Modex AS
Condensed Balance Sheet

Amounts in NOK thousands	Q2 2021	Q2 2020	FY 2020
Property, plant and equipment	528,706	559,632	546,524
Loan to associated companies	273,170	206,066	210,351
Total Non-Current Assets	**801,876**	**765,698**	**756,875**
Inventories	12,347	12,001	12,470
Accounts receivables	49,456	48,945	43,728
Other receivables	32,933	14,808	18,210
Cash and cash deposits	13,541	4,356	3,802
Total Current Assets	**108,277**	**80,110**	**78,210**
TOTAL ASSETS	**910,153**	**845,808**	**835,085**
Share capital	2,500	2,500	2,500
Share premium reserve	85,684	85,684	85,684
Retained earnings	180,789	152,569	171,111
Total Equity	**268,973**	**240,753**	**259,295**
Deferred tax	35,451	28,247	35,451
Liabilities to previous shareholders	26,335	25,084	25,698
Liabilities to financial institutions	550,000	354,679	-
Other long-term liabilities	93	248	184
Total Non-Current Liabilities	**611,879**	**408,258**	**61,333**
Trade creditors	8,161	36,299	24,541
Public duties payable	2,630	4,366	3,401
Other current liabilities	18,510	156,132	144,828
Liabilities to financial institutions	-	-	341,687
Total Current Liabilities	**29,301**	**196,797**	**514,457**
TOTAL LIABILITIES	**641,180**	**605,055**	**575,790**
TOTAL EQUITY AND LIABILITIES	**910,153**	**845,808**	**835,085**

Modex AS
Condensed Statement of Changes in Equity

Amounts in NOK thousands	Share capital	Premium reserve	Retained earnings	Total
01 January 2020	2,500	85,684	145,749	233,933
				-
Net profit/(loss)	-	-	6,820	6,820
Total comprehensive income (loss) for the year	-	-	6,820	6,820
Equity as at 30 June 2020	**2,500**	**85,684**	**152,569**	**240,753**

Amounts in NOK thousands	Share capital	Merger reserve	Retained earnings	Sub-Total
01 January 2021	2,500	85,684	171,111	259,295
Net profit/(loss)	-	-	9,678	9,678
Total comprehensive income (loss) for the year	-	-	9,678	9,678
Equity as at 30 June 2021	**2,500**	**85,684**	**180,789**	**268,973**

Modex AS
Condensed Statement of Cash Flow

Amounts in NOK Thousands	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Cash flow from operations					
Result before taxation	6,074	8,599	9,677	8,743	32,566
Adjustments for:					
Taxes paid during the period	-	-	-	-	-
Depreciation	14,327	13,582	28,510	27,241	55,793
Change in stock, customers, suppliers	(6,706)	3,454	(6,541)	(288)	(9,353)
Change in other accruals	(4,524)	4,722	(3,025)	7,341	(4,352)
Cash flow from operations	**9,171**	**30,357**	**28,621**	**43,037**	**74,654**
Cash flow from investment activities					
Cash from sales of fixed assets in excess of gains	434	478	434	478	2,059
Payments of equipment	(6,934)	(7,168)	(11,125)	(10,186)	(27,211)
Net cash flow used in investment activities	**(6,500)**	**(6,690)**	**(10,691)**	**(9,708)**	**(25,152)**
Cash flow from financing activities					
Net bond proceeds	-	-	532,775	-	-
Change in liabilities to financial instutions	-	(19,043)	(527,848)	(27,327)	(40,319)
Loan to associated companies	(20,665)	(2,785)	(13,664)	(5,307)	(9,592)
Change in other long term liabilities	(39)	(54)	(91)	(136)	(200)
Change in liabilities to former shareholders	320	305	637	610	1,224
Net cash used in financing activities	**(20,384)**	**(21,577)**	**(8,191)**	**(32,160)**	**(48,887)**
Net (decrease) increase in cash and cash equivalents	**(17,713)**	**2,090**	**9,739**	**1,169**	**615**
Opening cash and cash equivalents balance	31,254	2,266	3,802	3,187	3,187
Closing cash and cash equivalents balance	**13,541**	**4,356**	**13,541**	**4,356**	**3,802**

Notes

Note 1 – General

Modex Holding Limited is a company domiciled in British Virgin Islands. Modex AS is a company domiciled in Norway. The consolidated financial statements of Modex Holding Limited comprise the company and its subsidiaries, together referred to as the Group.

The Group's principal activities is in the provision of quality equipment and services in the niche offshore DNV certified CCUs, cabins, tanks, and service equipment for offshore operations.

Note 2 – Basis for preparation

The interim financial statements for the Group are prepared in accordance with International Financial Reporting Standards (IFRS), and the interim financial statements of Modex AS are prepared in accordance with Norwegian GAAP.

The interim report does not include all the information required for full annual consolidated financial statements in an Annual Report, and should be read in conjunction with the Annual Report of the Group for 2020. The accounting policies applied in the interim financial statements is the same as those described in the Annual Report for 2020.

Note 3 - Judgments, estimates and assumptions

In applying the accounting policies, management makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these interim financial statement, the significant judgments made by management in applying the Group's accounting policies and the key sources of uncertainty in the estimates were consistent with those applied to the consolidated financial statements as at and for the period ended 31 December 2020. Please refer to Note 3 in the Annual Report for 2020.

Note 4 Operating segments

The Group is organized in two operating segments in order to optimize and focus its business. The Rentals segment, which is the main segment, focuses on the rental of offshore equipment. The sales segment relates to the revenue generated by the Norwegian spare parts trading business and the global sale of bespoke equipment.

Revenue by Segment

Amounts in USD thousand	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Rental	8,654	7,241	16,909	15,726	31,690
Sales	1,700	2,354	3,936	4,672	6,829
Total Revenue	**10,354**	**9,595**	**20,845**	**20,398**	**38,519**

EBITDA by Segment

Amounts in USD thousand	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Rental	3,978	4,081	6,941	6,847	15,524
Sales	493	563	1,176	1,383	1,695
Total EBITDA	**4,471**	**4,644**	**8,117**	**8,230**	**17,219**

Note 5 Events after the reporting period

On 28 July 2021 OEG Group Limited ("OEG") acquired 100% of the Modex Holdings Limited, (being the former Ultimate Parent of the Group).

OEG intend to support the Issuer's management team to continue to develop and grow their market leading position in Norway, through access to the wider available resources of OEG, a global market leader in specialist offshore containers with ~75,000 units.

OEG are also investing and developing to follow the wider energy transition, and OEG’s customers' pivot towards renewable energy. OEG will accelerate the early investment that Modex has made in specialist cryogenic tanks for the LNG market, internationalise its offering of the world’s first in-turbine welfare units for the offshore wind sector, as well as developing through organic and inorganic means its focus on the adjacent onshore and offshore wind industry.

Furthermore, OEG is exploring possible transactions involving the Issuer and/or other actions pertaining to the Bonds which may be initiated in the near future. Such transactions and/or actions will, if carried out, require certain amendments to the Bond Terms. Any amendments to the Bond Terms will have to be resolved by the bondholders with the requisite majority as regulated in the Bond Terms. No firm decisions has been made in respect of the contemplated transactions and/or actions.

APPENDIX 1B

THE ISSUER'S UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

Modex Holding Limited
Modex AS

Unaudited 1st Quarter Results 2021

Group Overview

The highlights for Modex Group for the 1st quarter 2021 were:

- Revenue was USD 10,491K, a reduction of 3% as compared to 1st quarter 2020. Rental and sales revenue decreased by 3% and equipment sales 4% respectively.
- EBITDA of USD 3,645K, an increase of 2% as compared to Q1 2020 due to lower foreign exchange expenses.
- EBITDA margin of 35% as compared to 33% in Q1 2020.

Income Statement

Revenue in 1st quarter 2021 was USD 10,491K compared to USD 10,803K in 1st quarter 2020.

Rental revenue decreased from USD 8,485K in Q1 2020 to USD 8,255K in Q1 2021. Equipment utilisation in all regions except Europe were lower in Q1 2021 as compared to Q2 2020 as activity levels have not recovered to pre-Covid-19 levels as some of the activities which have been put on hold or postponed due to COVID-19 measures have not restarted. Equipment sales also decreased slightly from USD 2,318K in Q1 2020 to USD 2,236K in Q1 2021.

EBITDA ended at USD 3,645K, slightly higher than 1Q 2020 due to lower foreign exchange losses in Q1 2021. EBITDA margin ended at 35%, slightly higher than 33% in the Q1 2020.

Net financial cost in Q1 2021 was USD 1,521K, significantly higher than Q1 2020 due to higher borrowing costs as a result of the change in long term financing from a bank loan to a bond which was issued in March 2021.

Balance Sheet

Total assets were USD 159m at the end of the quarter, with an equity ratio of 38.3%.

The group's net interest-bearing debt was USD 60.4m (excluding subordinated shareholder loans) with a bank cash balance of USD 5.6m. Leverage ratio is 3.50 times as at Q1 2021.

Cash Flow

Cash flow from operating activities was USD 2,552K in Q1 2021 versus USD 3,240K in Q1 2020. Lower operating cashflow is mainly due to a prepayment for equipment purchase in March 2021.

Net cash flow outflow from investment activities was USD 22K, a decrease from USD 256K in the Q1 2020.

Net cashflow outflow from financing activities was USD 521K in Q1 2021, as compared to USD 3,087K in Q1 2020, mainly due to increased net inflow from the bond issue in March 2021 as compared to the bank loan repayment.

Order Backlog & Market

The activity in 2021 has continued improved steadily since Q2 2020 and the long- term outlook remains positive. With the stabilisation of oil prices, activity looks set to improve further. However, Modex is also looking into other opportunities such as investments in the green-energy sector.

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HSEQ

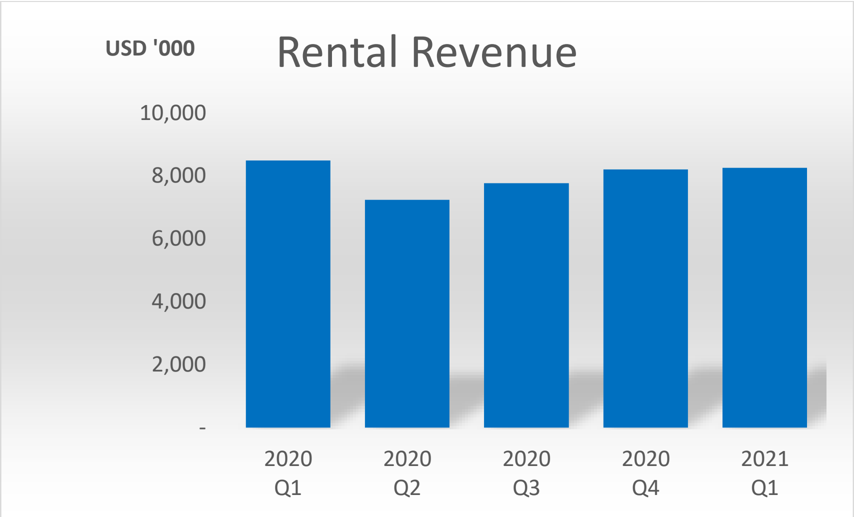
At the end of Q1 2021 Modex Group had 95 employees, unchanged from last quarter.

No serious incidents this quarter, resulting in a total Serious Incident Frequency (SIF) in the period of Nil and Nil during the last 12 months.

Business Segments

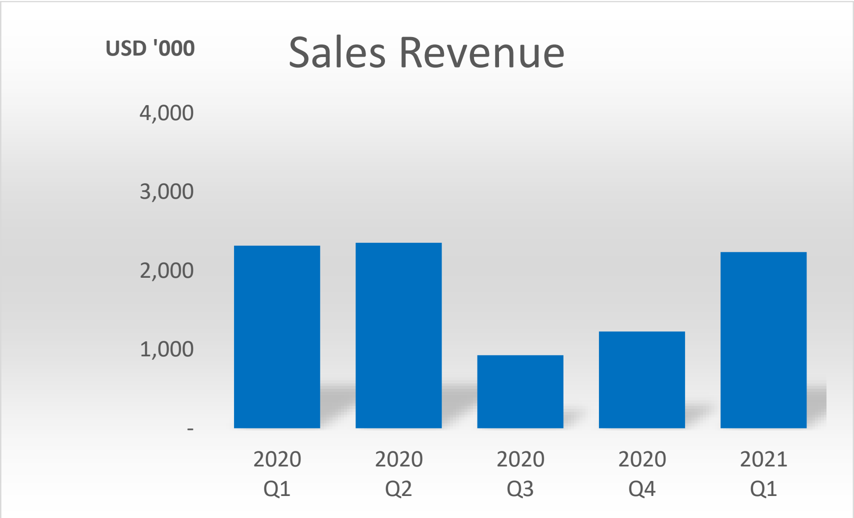
Rentals

The Rentals segment continued to improve after the decrease in Q2 2020 due to COVID-19 measures-induced activity reduction. Although Q1 2021 ended higher than Q4 2020, it is still slightly lower Q1 2020.



Sales

The Sales segment continued to improve since Q3 2020 but was still lower as compared to Q1 2020.



Modex Holding Limited
Condensed Consolidated Income Statement

Group Summary Amounts in USD thousand	**Q1 2021**	**Q1 2020**	**FY 2020**
Rental revenue	8,255	8,485	31,690
Sales revenue	2,236	2,318	6,829
Total Revenue	10,491	10,803	38,519
Rental fleet operating expense	(2,150)	(1,985)	(8,032)
Cost of goods sold	(1,554)	(1,497)	(5,134)
Other operating income	83	54	1,791
Employee benefits expense	(2,257)	(2,095)	(7,711)
Other operating expenses	(880)	(917)	(3,059)
Forex exchange	(88)	(777)	845
EBITDA	**3,645**	**3,586**	**17,219**
Extraordinary expenses	-	-	(620)
Amortisation of intangible assets	-	(116)	(116)
Depreciation of plant and equipment	(2,673)	(2,664)	(10,004)
Leased assets depreciation	(456)	(461)	(1,884)
EBIT	**516**	**344**	**4,595**
Finance income	43	31	194
Finance expenses	(1,521)	(1,218)	(4,269)
Lease assets interest expense	(45)	(60)	(228)
Profit/(Loss) before taxation	**(1,007)**	**(903)**	**292**
Income tax credit (expense)	47	57	(99)
Net profit/(loss)	**(960)**	**(846)**	**193**

Modex Holding Limited
Condensed Consolidated Statement of Comprehensive Income

Group Summary Amounts in USD thousand	**Q1** **2021**	**Q1** **2020**	**FY** **2020**
Net profit/(loss) for the period	**(960)**	**(846)**	**193**
Exchange differences on translation of foreign operations	(518)	(2,840)	250
Non-controlling interests	-	-	-
Net profit/(loss) for the year	**(1,478)**	**(3,686)**	**443**

Modex Holding Limited
Condensed Consolidated Balance Sheet

Group Summary Amounts in USD thousand	**Q1** **2021**	**Q1** **2020**	**FY** **2020**
Property, plant and equipment	91,929	97,412	94,795
Goodwill	40,500	38,670	40,636
Intangible assets	-	(689)	-
Right of use assets	3,525	4,827	3,981
Finance lease receivables	2,361	2,969	2,489
Total Non-Current Assets	**138,314**	**143,189**	**141,901**
Finance lease receivables	789	519	751
Inventories	1,976	1,652	1,893
Trade and other receivables	8,696	9,545	8,114
Deposits and prepayments	3,877	2,713	2,154
Bank balances and cash	5,611	3,851	3,546
Total Current Assets	**20,949**	**18,280**	**16,458**
TOTAL ASSETS	**159,264**	**161,469**	**158,359**
Share Capital	129,819	129,819	129,819
Reserves	(68,751)	(71,402)	(67,273)
Total Equity	**61,068**	**58,417**	**62,546**
Other payables	3,032	5,114	3,015
Loans	64,094	63,398	-
Lease liabilities	1,922	4,602	2,388
Shareholders Loan	10,000	10,000	10,000
Deferred tax	5,080	4,503	5,230
Total Non-Current Liabilities	**84,128**	**87,617**	**20,633**
Trade Payables	9,551	12,869	9,934
Other payables and accruals	2,815	739	1,976
Loans	-	-	61,481
Lease liabilities	1,702	1,827	1,789
Total Current Liabilities	**14,068**	**15,435**	**75,180**
TOTAL LIABILITIES	**98,196**	**103,052**	**95,813**
TOTAL EQUITY AND LIABILITIES	**159,264**	**161,469**	**158,359**

Modex Holding Limited
Condensed Consolidated Statement of Changes in Equity

Amounts in USD thousand	Share capital	Capital reserve	Merger reserve	Translation reserve	Retained earnings	Total
01 January 2020	129,819	5,468	(5,433)	(22,824)	(44,927)	62,103
Net profit/(loss)	-	-	-	-	(846)	(846)
Exchange differences on translation of foreign operations	-	-	-	(2,840)	-	(2,840)
Total comprehensive income (loss) for the year	-	-	-	(2,840)	(846)	(3,686)
Equity as at 31 March 2020	**129,819**	**5,468**	**(5,433)**	**(25,664)**	**(45,773)**	**58,417**

Amounts in USD thousand	Share capital	Capital reserve	Merger reserve	Translation reserve	Retained earnings	Total
01 January 2021	129,819	5,468	(5,433)	(22,574)	(44,734)	62,546
Net profit/(loss)	-	-	-	-	(960)	(960)
Exchange differences on translation of foreign operations	-	-	-	(518)	-	(518)
Total comprehensive income (loss) for the year	-	-	-	(518)	(960)	(1,478)
Equity as at 31 March 2021	**129,819**	**5,468**	**(5,433)**	**(23,092)**	**(45,695)**	**61,068**

Modex Holding Limited
Condensed Consolidated Statement of Cash Flow

Amounts in USD thousands	Q1 2021	Q1 2020	FY 2020
EBITDA	3,645	3,585	17,219
Taxes paid	(31)	(91)	(213)
Change in net working capital	(1,062)	(345)	(4,233)
Others non-operating expenses	-	-	(620)
Net cash flow from operating activities	**2,552**	**3,149**	**12,153**
Capex less disposals	(247)	(385)	(1,499)
Proceeds from finance lease receivables	182	98	464
Interest received	43	31	194
Net cash flow from investing activities	**(22)**	**(256)**	**(841)**
Net repayment of interest-bearing debt	(61,952)	(2,208)	(8,781)
Net proceeds from bond issue	62,087	-	-
Net interest paid	(656)	(879)	(3,161)
Net cash flow from financing activities	**(521)**	**(3,087)**	**(11,942)**
Total Cash flow	**2,009**	**(194)**	**(630)**
Effect of currency translation	56	223	354
Opening bank balance	3,546	3,822	3,822
Closing bank balance	**5,611**	**3,851**	**3,546**

Modex AS
Condensed Income Statement

Amounts in NOK thousand	Q1 2021	Q1 2020	FY 2020
Revenue	66,781	60,858	245,077
Other operating income	252	176	1,633
Direct Cost	(13,992)	(8,482)	(45,211)
Employee benefits expense	(13,500)	(14,230)	(48,555)
Other operating expenses	(14,776)	(13,769)	(58,433)
EBITDA	**24,765**	**24,553**	**94,511**
Extraordinary expenses	-	-	(885)
Depreciation of plant and equipment	(14,183)	(13,659)	(54,884)
EBIT	**10,582**	**10,894**	**38,742**
Finance income	3,245	2,515	9,389
Finance expenses	(10,224)	(13,265)	(15,565)
Profit/(Loss) before taxation	**3,603**	**144**	**32,566**
Income tax credit (expense)	-	(31)	(7,204)
Net profit/(loss)	**3,603**	**113**	**25,362**

Modex AS
Condensed Balance Sheet

Amounts in NOK thousand	Q1 2021	Q1 2020	FY 2020
Property, plant and equipment	536,532	566,524	546,524
Loan to associated companies	252,506	203,281	210,351
Total Non-Current Assets	**789,038**	**769,805**	**756,875**
Inventories	13,868	11,924	12,470
Accounts receivables	47,806	47,488	43,728
Other receivables	26,953	19,796	18,210
Cash and cash deposits	31,254	2,266	3,802
Total Current Assets	**119,882**	**81,474**	**78,209**
TOTAL ASSETS	**908,920**	**851,279**	**835,085**
Share capital	2,500	2,500	2,500
Share premium reserve	85,684	85,684	85,684
Retained earnings	174,714	145,861	171,111
Total Equity	**262,898**	**234,045**	**259,295**
Deferred tax	35,451	28,247	35,451
Liabilities to previous shareholders	26,015	24,779	25,698
Liabilities to financial institutions	550,000	373,722	-
Other long-term liabilities	132	302	184
Total Non-Current Liabilities	**611,598**	**427,050**	**61,333**
Trade creditors	13,406	32,133	24,541
Public duties payable	2,359	2,023	3,401
Other current liabilities	18,658	156,028	144,828
Liabilities to financial institutions	-	-	341,687
Total Current Liabilities	**34,423**	**190,184**	**514,457**
TOTAL LIABILITIES	**646,022**	**617,234**	**575,790**
TOTAL EQUITY AND LIABILITIES	**908,920**	**851,279**	**835,085**

Modex AS
Condensed Statement of Changes in Equity

Amounts in NOK thousand	Share capital	Premium reserve	Retained earnings	Total
01 January 2020	2,500	85,684	145,748	233,932
Net profit/(loss)	-	-	113	113
Total comprehensive income (loss) for the year	-	-	113	113
Equity as at 31 March 2020	**2,500**	**85,684**	**145,861**	**234,045**

Amounts in NOK thousand	Share Capital	Merger reserve	Retained earnings	Total
01 January 2021	2,500	85,684	171,111	259,295
Net profit/(loss)	-	-	3,603	3,603
Total comprehensive income (loss) for the year	-	-	3,603	3,603
Equity as at 31 March 2021	**2,500**	**85,684**	**174,714**	**262,898**

Modex AS
Condensed Statement of Cash Flow

Amounts in NOK thousand	Q1 2021	Q1 2020	FY 2020
Cash flow from operations			
Result before taxation	3,603	144	32,566
Adjustments for:			
Taxes paid during the period	-	-	-
Depreciation	14,183	13,659	55,793
Change in stock, customers, suppliers	165	(3,742)	(9,353)
Change in other accruals	1,499	2,619	(4,352)
Cash flow from operations	**19,450**	**12,680**	**74,654**
Cash flow from investment activities			
Cash from sales of fixed assets in excess of gains	-	-	2,059
Payments of equipment	(4,191)	(3,018)	(27,211)
Net cash flow from investment activities	**(4,191)**	**(3,018)**	**(25,152)**
Cash flow from financing activities			
Net Bond Proceeds	532,775	-	-
Change in liabilities to financial institutions	(527,848)	(8,284)	(40,319)
Loan to associated companies	7,001	(2,522)	(9,592)
Change in other long term liabilities	(52)	(82)	(200)
Change in liabilities to former shareholders	317	305	1,224
Net cash used in financing activities	**12,193**	**(10,583)**	**(48,887)**
Net decrease (increase) in cash and cash equivalents	**27,452**	**(921)**	**614**
Opening cash and cash equivalents balance	3,802	3,187	3,187
Closing cash and cash equivalents balance	**31,254**	**2,266**	**3,802**

Notes

Note 1 – General

Modex Holding Limited is a company domiciled in British Virgin Islands. Modex AS is a company domiciled in Norway. The consolidated financial statements of Modex Holding Limited comprise the company and its subsidiaries, together referred to as the Group.

The Group's principal activities is in the provision of quality equipment and services in the niche offshore DNV certified CCUs, cabins, tanks, and service equipment for offshore operations.

Note 2 – Basis for preparation

The interim financial statements for the Group are prepared in accordance with International Financial Reporting Standards (IFRS), and the interim financial statements of Modex AS are prepared in accordance with Norwegian GAAP.

The interim report does not include all the information required for full annual consolidated financial statements in an Annual Report, and should be read in conjunction with the Annual Report of the Group for 2020. The accounting policies applied in the interim financial statements is the same as those described in the Annual Report for 2020.

Note 3 - Judgments, estimates and assumptions

In applying the accounting policies, management makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these interim financial statement, the significant judgments made by management in applying the Group's accounting policies and the key sources of uncertainty in the estimates were consistent with those applied to the consolidated financial statements as at and for the period ended 31 December 2020. Please refer to Note 3 in the Annual Report for 2020.

Note 4 Operating segments

The Group is organized in two operating segments in order to optimize and focus its business. The Rentals segment, which is the main segment, focuses on the rental of offshore equipment. The sales segment relates to the revenue generated by the Norwegian spare parts trading business and the global sale of bespoke equipment.

Revenue by Segment

Amounts in USD thousand	Q1 2021	Q1 2020	FY 2020
Rental	8,255	8,485	31,690
Sales	2,236	2,318	6,829
Total Revenue	**10,491**	**10,803**	**38,520**

EBITDA by Segment

Amounts in USD thousand	Q1 2021	Q1 2020	FY 2020
Rental	2,963	2,765	15,525
Sales	682	821	1,695
Total EBITDA	**3,645**	**3,585**	**17,220**

APPENDIX 1C

THE ISSUER'S AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR OF 2020

Årsregnskap / annual accounts

Modex AS

2020

Modex AS

Resultatregnskap / Income Statement

	Note	2020	2019
Driftsinntekt / Revenue			
Salgsinntekt / Sales revenue	11	245 076 538	227 866 372
Annen driftsinntekt / Other operating income	11, 14	1 633 476	2 369 475
Sum driftsinntekt / Total revenues		**246 710 014**	**230 235 847**
Driftskostnad / Operating cost			
Varekostnad / Material cost	9, 14	45 211 445	33 409 706
Lønnskostnad /Saleries	2	48 555 489	50 159 241
Avskrivninger / Depreciation	3	54 884 334	52 213 315
Annen driftskostnad / Other operating expenses	12	59 317 021	59 634 383
Sum driftskostnad / Total operating cost		**207 968 289**	**195 416 646**
Driftsresultat / Operating result		**38 741 725**	**34 819 202**
Finansinntekt og finanskostnad / Finance income and cost			
Renteinntekt fra foretak i samme konsern / Interest income from group companies	12	9 311 016	8 891 996
Renteinntekt / Interest income		78 032	169 585
Annen finansinntekt / Other finance income	10	5 026 984	0
Rentekostnad / Interest expenses	12	-20 591 512	-22 506 603
Annen finanskostnad / Other finance expenses	10	0	-1 423 945
Ordinært resultat før skattekostnad / Result before taxes		**32 566 245**	**19 950 235**
Skattekostnad på ordinært resultat / Tax on ordinary result	4	7 203 891	4 445 580
Ordinært resultat / Ordinary result		**25 362 354**	**15 504 656**
Årsresultat / Annual net profit		**25 362 354**	**15 504 656**
Anvendelse av årsresultatet / Dispositions			
Avgitt konsernbidrag / Group contribution	5	0	0
Annen egenkapital / To other equity	5	25 362 354	15 504 656
Sum disponering / Total dispositions		**25 362 354**	**15 504 656**

Modex AS

Balanse pr. 31.12.

	Note	2020	2019
EIENDELER / ASSETS			
Anleggsmidler / Fixed assets			
Varige driftsmidler / Tangible fixed assets			
Bygninger / Buildings	3	623 133	551 671
Utleie utstyr / Rental equipment	3	544 509 169	574 896 768
Driftsløsøre, inventar og utstyr / Equipments	3	1 225 239	1 364 165
Finansiell leasing / Financial leasing	3	166 334	352 155
Sum varige driftsmidler / Total tangible fixed assets		**546 523 874**	**577 164 759**
Finansielle anleggsmidler / Financial fixed assets			
Lån til selskap i konsern / Loan to associated companies	12	210 351 267	200 759 491
Sum finansielle anleggsmidler / Total financial assets		**210 351 267**	**200 759 491**
Sum anleggsmidler / Total fixed assets		**756 875 141**	**777 924 250**
Omløpsmidler / Current assets			
Lager av varer og annen beholdning / Inventories	9, 12	12 470 106	12 225 370
Fordringer / Receivables			
Kundefordringer / Accounts receivables	12	43 727 630	46 149 349
Andre fordringer / Other receivables		18 210 072	17 091 324
Sum fordringer / Total receivables		**61 937 702**	**63 240 674**
Bankinnskudd, kontanter o.l / Cash and cash deposits	7	**3 801 598**	**3 187 157**
Sum omløpsmidler / Total current assets		**78 209 406**	**78 653 201**
SUM EIENDELER / TOTAL ASSETS		**835 084 547**	**856 577 452**

Modex AS

Balanse pr. 31.12.

	Note	**2020**	**2019**
EGENKAPITAL OG GJELD / EQUITY AND LIABILITIES			
Egenkapital /Equity			
Innskutt egenkapital / Restricted equity			
Aksjekapital / Share capital	5, 6	2 500 000	2 500 000
Overkurs / Share premium reserve	5	85 683 690	85 683 690
Sum innskutt egenkapital / Total restricted equity		**88 183 690**	**88 183 690**
Opptjent egenkapital / Retained earnings			
Annen egenkapital / Other equity	5	171 111 080	145 748 725
Sum opptjent egenkapital / Total retained earnings		**171 111 080**	**145 748 725**
Sum egenkapital / Total equity		**259 294 770**	**233 932 415**
Gjeld / Liabilities			
Avsetning for forpliktelser / Provisions			
Utsatt skatt / Deferred taxes	4	35 451 368	28 247 477
Sum avsetning for forpliktelser / Total provisions		**35 451 368**	**28 247 477**
Annen langsiktig gjeld / Other long-term liabilities			
Gjeld til tidligere aksjonærer / Liabilities to previous shareholders	13	25 697 793	24 474 088
Gjeld til kredittinstitusjoner / Liabilities to financial institutions	8	0	382 005 929
Øvrig langsiktig gjeld / Other long-term liabilities	3	184 096	384 348
Sum annen langsiktig gjeld / Total long-term liabilities		**25 881 888**	**406 864 365**
Kortsiktig gjeld / Current liabilities			
Leverandørgjeld / Trade creditors	12	24 540 533	36 070 434
Skyldige offentlige avgifter / Public duties payable		3 400 670	3 308 167
Annen kortsiktig gjeld / Other current liabilities	12, 14	144 828 018	148 154 593
Gjeld til kredittinstitusjoner / Liabilities to financial institutions	8	341 687 301	0
Sum kortsiktig gjeld / Total current liabilities		**514 456 521**	**187 533 194**
Sum gjeld / Total liabilities		**575 789 778**	**622 645 036**
SUM EGENKAPITAL OG GJELD/TOTAL EQUITY AND LIABILITIES		**835 084 547**	**856 577 452**

Bryne, 26 Mars 2021

I styret for Modex AS/ Board of Directors for Modex AS

Eric Marius Snellen
Styrets formann/Chairman of the Board

Jens Petter Broch
Daglig leder/Styremedlem
CEO/Board member

Modex AS

Kontantstrømanalyse / Cashflow

	2020	2019
Kontantstrøm fra driften / Cash flow from operations		
Resultat før skattekostnad / Result before taxes	32 566 245	19 950 235
Periodens betalte skatter / Taxes paid during the period	0	0
Ordinære avskrivninger / Depreciation	55 793 064	52 918 902
Endring i lager, kunder og leverandører / Change in stock, customers and suppliers	-9 352 917	-4 064 454
Endring i andre tidsavgrensningsposter / Change in other accruals	-4 352 820	-2 036 898
Tilført fra årets virksomhet / Cash flow from operations	**74 653 571**	**66 767 785**
Kontantstrøm fra investeringsaktivitetene /Cash flow from investment activities		
Innbetalinger ved salg av varige driftsmidler utover gevinst / Cash from sales of fixed assets in excess of gains	2 059 284	4 481 610
Utbetalinger ved kjøp av varige driftsmidler / Payments of equipments	-27 211 462	-41 549 898
Netto kontantstrøm fra investeringsaktiviteter / Net cashflow from investment activities	**-25 152 179**	**-37 068 289**
Kontantstøm fra finansieringsaktivitetene/Cash flow from financing acivities		
Endring i gjeld til kredittinstitusjoner / Change in liabilities to financial institutions	-40 318 628	-31 734 417
Lån til selskap i konsern / Loan to associated companies	-9 591 777	-9 200 006
Endring i annen langsiktig gjeld / Change in other long term liabilities	-200 252	-414 557
Endring gjeld til tidligere aksjonærer / Change in liabilities to former shareholders	1 223 704	1 165 433
Netto kontantstrøm fra finansieringsaktiviteter / Net cash flow from financing activities	**-48 886 953**	**-40 183 548**
Netto endring i likviditeter gjennom året / Net changes in cash during the year	**614 439**	**-10 484 052**
Likviditetsbeholdning 01.01. / Cash and Cash equivalents 01.01.	3 187 157	13 671 209
Likviditetsbeholdning pr 31.12. / Cash and Cash equivalents 31.12.	**3 801 598**	**3 187 157**

Modex AS
Noter til regnskapet for 2020 / Notes to the financial statements for 2020

Note 1 - Regnskapsprinsipper
Årsregnskapet, som er utarbeidet av selskapets styre og ledelse, må leses i sammenheng med årsberetningen og revisjonsberetningen.

Årsregnskapet består av resultatregnskap, balanse, kontantstrømoppstilling og noteopplysninger og er avlagt i samsvar med aksjelov, regnskapslov og god regnskapsskikk i Norge gjeldende pr. 31. desember .

Regnskapsprinsipper
Årsregnskapet er basert på de grunnleggende prinsipper om historisk kost, sammenlignbarhet, fortsatt drift, kongruens og forsiktighet. Transaksjoner regnskapsføres til verdien av vederlaget på transaksjonstidspunktet. Inntekter resultatføres når de er opptjent og kostnader sammenstilles med opptjente inntekter.

Ved anvendelse av regnskapsprinsipper og presentasjon av transaksjoner og andre forhold, legges det ved på økonomiske realiteter, ikke bare juridisk form. Betingede tap som er sannsynlige og kvantifiserbare, kostnadsføres. Regnskapsprinsippene er utdypet nedenfor.

Inntekts- og kostnadsføringstidspunkt (sammenstilling)
Inntekt resultatføres som hovedregel når den er opptjent. Utgifter sammenstilles med og kostnadsføres samtidig med de inntekter utgiftene kan henføres til. Utgifter som ikke kan henføres direkte til inntekter, kostnadsføres når de påløper.

Pensjoner
Innskuddsplaner periodiseres etter sammenstillingsprinsippet. Årets innskudd til pensjonsordningen kostnadsføres

Eiendeler og gjeld
Eiendeler/gjeld som knytter seg til varekretsløpet og poster som forfaller til betaling innen ett år etter balansedagen, er klassifisert som omløpsmidler/kortsiktig gjeld. Vurdering av omløpsmidler/kortsiktig gjeld skjer til laveste/høyeste verdi av anskaffelseskost og virkelig verdi. Virkelig verdi er definert som antatt fremtidig salgspris redusert med forventede salgskostnader. Andre eiendeler er klassifisert som anleggsmidler. Vurdering av anleggsmidler skjer til anskaffelseskost. Anleggsmidler som forringes avskrives. Dersom det finner sted en verdiendring som ikke er forbigående, foretas en nedskrivning av anleggsmidlet. Tilsvarende prinsipper legges normalt til grunn for gjeldsposter.

Kontantstrømoppstilling
Kontantstrømoppstillingen er utarbeidet etter den indirekte metoden.
Kontanter og kontantekvivalenter omfatter kontanter og bankinnskudd.

Varige driftsmidler
Varige driftsmidler balanseføres og avskrives lineært over driftsmidlets forventede levetid. Vesentlige driftsmidler som består av betydelige komponenter med ulik levetid er dekomponert med ulik avskrivningstid for de ulike komponentene. Direkte vedlikehold av driftsmidler kostnadsføres løpende under driftskostnader, mens påkostninger eller forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Dersom gjenvinnbart beløp av driftsmiddelet er lavere enn balanseført verdi foretas nedskrivning til gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av netto salgsverdi og verdi i bruk. Verdi i bruk er nåverdien av de fremtidige kontantstrømmene som eiendelen forventes å generere.

Varelager
Beholdninger av varer vurderes til det laveste av kostpris etter "først inn - først ut"-prinsippet og antatt salgspris. Kostpris for innkjøpte varer er anskaffelseskost.

Fordringer
Fordringer er oppført til pålydende med fradrag for forventede tap.

Pengeposter i utenlandsk valuta
Pengeposter i utenlandsk valuta er vurdert til balansedagens kurs.

Utsatt skatt
Utsatt skatt beregnes på bakgrunn av midlertidige forskjeller mellom regnskapsmessige og skattemessige verdier ved utgangen av regnskapsåret. Ved beregningen benyttes nominell skattesats. Positive og negative forskjeller vurderes mot hverandre innenfor samme tidsintervall.

Utsatt skattefordel oppstår dersom en har midlertidige forskjeller som gir opphav til skattemessige fradrag i fremtiden. Årets skattekostnad består av betalbar skatt for inntektsåret, samt endring i utsatt skatt.

Note 2 Ansatte, godtgjørelser, lån til ansatte m.v. / Salaries, remuneration, loans to employees and other

Lønnskostnader består av følgende poster: / Payroll costs contains of the follwings;

	2020	2019
Lønninger / Salaries	38 161 349	39 015 495
Folketrygdavgift / Social security	5 816 788	5 922 718
Pensjonskostnad / Pension cost	2 928 225	2 996 317
Andre lønnskostnader / Other personnel expenses	1 649 127	2 224 711
Sum lønnskostnader / Total payroll costs	48 555 489	50 159 241
Antall årsverk / Average number of employees	61,0	61,0

Godtgjørelser til daglig leder/Remuneration to CEO	2020
Lønn/ Salary	1 473 341
Pensjonskostnad / Pension cost	103 524
Annen godtgjørelse / Other remuneration	128 651
Sum / Total	1 705 516

Godtgjørelser til styret / Remuneration for the Board	2020
Lønn / Salery	0
Pensjonskostnad / Pension cost	0
Annen godtgjørelse / Other remuneration	0
Sum/Total	0

Pensjonskostnader/ pension costs

Foretaket er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon, og har pensjonsordning som tilfredsstiller kravene i denne loven. Foretakets innskuddsordning er organisert i henhold til lov om innskuddspensjon. /

The company is required to have an occupational post-employment plan in accordance with Norwegian legislation on occupational post-employment ("lov om obligatorisk tjenestepensjon"). The entity's defined contribution plan is organized in accordance with Norwegian legislation on defined contribution pensions

Revisor / Audit

Kostnadsført godtgjørelse til selskapets revisor Deloitte AS er som følger: /
Remuneration to the statutory auditor of the Company is as follows:

	2020	2019
Lovpålagt revisjon / Audit service	553 000	494 000
Andre tjenester / Other services	71 914	180 941
Sum/Total (ekskl. mva / excl. VAT)	624 914	674 941

Note 3 Varige driftsmidler / Fixed assets

	Bygg & anlegg / Building	Utleieutstyr Rental equipment	Driftsløsøre Other	Totalt /Total (excl. leasing)
Anskaffelseskost 01.01./ Puchase cost as of 01.01.	4 814 260	1 004 777 271	29 360 511	1 038 952 042
Tilgang kjøpte driftsmidler / Additions during the period	560 206	25 371 846	370 680	26 302 732
Avgang / Disposals	0	-3 731 532	-843 558	-4 575 090
Anskaffelseskost 31.12./ Purchase cost as of 31.12	5 374 466	1 026 417 585	28 887 633	1 060 679 684
Akkumulerte avskrivninger 31.12. / Acc. deprec. as of 31.12	4 751 335	481 908 415	27 662 394	514 322 145
Balanseført verdi pr. 31.12. / Book value as of 31.12	623 133	544 509 169	1 225 239	546 357 541
Årets avskrivninger / Depreciations for this year	488 745	53 812 792	396 975	54 698 512
Økonomisk levetid / Economic life	10 år	15 - 25 år	3-5 år	
Avskrivningsplan / Depreciation schedule	Linær	Lineær	Lineær	

Finansiell leasing / Financial leasing

Det er balanseført finansiell leasing klassifisert som driftsmidler og med tilhørende gjeld i balansen.
Balanseført verdi 31.12. er NOK 166 334 og årets avskrivning er NOK 185 822.
/ In the balance sheet financial leasing is classified as assets with corresponding liabilities.
Book value as of 31.12. is NOK 166 334, and the depreciation for the year is NOK 185 822.

Modex AS

Noter til regnskapet for 2020 / Notes to financial statement for 2020

Note 4 Skatt / Taxes

	2020	2019
Årets skattekostnad fremkommer slik:/Taxes are calculated as follows:		
Betalbar skatt på årets resultat/ Tax payable	0	0
Brutto endring utsatt skatt / skattefordel /Change in deferred taxes	7 203 891	4 445 580
Virkning av endring i skatteregler / Effect of changes in tax regulations	0	0
Årets totale skattekostnad ordinært resultat/ This year's taxes	7 203 891	4 445 580
Betalbar skatt i årets skattekostnad fremkommer slik: /		
Tax payable is calculated as follows:		
Ordinært resultat før skattekostnad/ Result before tax	32 566 245	19 950 235
Permanente forskjeller / Non deductable costs	178 713	257 004
Permanente forskjeller / Non taxable income (incl. Skattefunn)	0	-59
Anvendelse framførbart underskudd / (utilize)/increase tax loss carry-forward	-12 879 352	23 008 830
Endring midlertidige forskjeller /Changes in temporary differences	-19 865 606	-43 216 010
Grunnlag betalbar selskapsskatt / Basis for calculating tax payable	0	0
Avgitt konsernbidrag / Group contribution	0	0
Grunnlag betalbar skatt etter konsernbidrag / Basis for tax payable after group contribution	0	0
Betalbar skatt i balansen fremkommer slik: /		
Taxes payable in the balance sheet consist of the following:		
Betalbar skatt på årets resultat etter konsernbidrag/Taxes payable on this years result after group contribution	0	0
Betalbar skatt i balansen / Total tax payable	0	0
Forskjeller som utlignes: /Temporary differences		
Anleggsmidler / Fixed assets	253 927 053	235 654 697
Varelager / Inventory	-8 425 000	-8 425 000
Avsetning for forpliktelser / Provisions for liabilities	-2 727 500	-4 320 750
Fordringer / Receivables	-300 000	-300 000
Sum / Total	242 474 553	222 608 947
Fremførbart underskudd / Taxable loss - carryforward	-81 331 974	-94 211 326
Grunnlag for beregning av utsatt skatt / utsatt skattefordel / basis for deferrd tax	161 142 579	128 397 621
Utsatt skatt (22 %/ 22%) / Deferred tax (22 %/ 22 %)	35 451 367	28 247 477

Note 5 Egenkapital / Equity	**Aksjekapital/ Share capital**	**Overkurs Premium reserve**	**Annen EK/ Other Equity**	**Sum/ Total equity**
Egenkapital 01.01./ Equity 01.01	2 500 000	85 683 690	145 748 725	233 932 415
Årsresultat / This year's result	0	0	25 362 354	25 362 354
Egenkapital 31.12./ Equity 31.12.	2 500 000	85 683 690	171 111 079	259 294 770

Note 6 Aksjekapital og aksjonærinformasjon /Share capital and shareholder information

Aksjekapitalen i Modex AS pr. 31.12. består av 25 000 aksjer a kr 100: / The share capital consist of 25 000 shares each with a nominell value of NOK 100.

	Antall/ Number	**Pålydende/ Nominell value**	**Balanseført/ Book value**
Aksjer / Shares	25 000	100	2 500 000

Eierstruktur: / Shareholders:	**Aksjer/ Shares**	**Eierandel/ Ownership**	**Stemmeandel/ Equity intrest**
Euro Offshore Holding AS	25 000	100 %	100 %

Selskapets regnskap er konsolidert i Euro Offshore Holding AS sitt konsernregnskap som kan fås utlevert ved henvendelse til selskapets forretningsadresse på Bryne. / The accounts are consolidated in the Consolidated Financial Statements of Euro Offshore Holding AS. Consolidated Financial Statements are available in the office in Bryne.

Note 7 Bundne midler / Tax deposits

I posten inngår bundne bankinnskudd bestemt for skattetrekk med NOK 1 998 236 /
Cash and cash deposits include restricted bank balances of NOK 1 998 236 relating to withheld employee salary taxes.

Note 8 Gjeld til kreditinstitusjoner, pantstillelser og garantiansvar / Debt to financial institutions, mortgages and guarantees

	2020	2019
Balanseført gjeld som er sikret ved pant ol.		
/ Balance sheet liabilities secured by mortgage		
Gjeld til kredittinstitusjoner / Liabilities to financial institutions	341 687 301	382 005 929
Sum / Total	**341 687 301**	**382 005 929**

Lånefasiliteten til Modex AS er en del av lånerammeavtale i morselskapet Modex Holding Limited ("konsernet") som er til felles bruk for selskapet og de tilknyttede selskapene. Gjelden ble refinansiert med bankene den 27. juli 2018 (effektiv dato).

Terminlånene har en samlet rente på gjeldende margin fra 3.00% til 4.00% per år basert på forholdet mellom netto gjeld og resultatet før renter, skatt, avskrivninger og nedskrivninger (EBITDA) ved begynnelsen av hver renteperiode, pluss London Interbank Offered Rate (LIBOR) hvis lånet omregnes til armerikansk dollar, pluss Norway Interbank Offered Rate ("NIBOR") hvis lånet omregnes til norske kroner.

I mars 2021 ble lånefasilitetene nevnt over tilbakebetalt med midler fra obligasjonsutstedelse. Selskapet utstede tilsammen obligasjoner tilsvarende 550 millioner kroner med en margin på 7.75% pluss 3-måneders NIBOR med forfall i mars 2026.

Per 31. desember 2020 er ikke selskapet i brudd med de finansielle betingelsene for lånet.

/ Modex AS has a loan facility that is arranged at parent company level, Modex Holding Limited ("the group"), and is for joint use by the Company and associated companies. The debt was refinanced successfully with the financial institutions on 27 July 2018 (“Effective Date”).

The term loan bears an aggregate interest of the applicable margin ranging from 3.00% to 4.00% per annum by reference to the ratio of Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) at the beginning of each interest period, plus London Interbank Offered Rate (“LIBOR”) if the loan is denominated in United States Dollar, and Norway Interbank Offered Rate (“NIBOR”) if the loan is denominated in Norwegian Kroner.

In March 2021, the loan facility above was repaid using proceeds from a bond issuance by the Company. The Company successfully launched a MNOK 550 bond issue at a rate of 7.75% plus 3-month NIBOR and will mature in March 2026.

At 31 December 2020, there is no breach of any covenants on the loan.

Note 9 Varer / Inventories

Varelager består i hovedsak av ferdig innkjøpte varer. Varelageret er verdsatt til det laveste av virkelig verdi og anskaffelseskostnad. Beholdningsendring inkluderes i varekostnad.
/ Inventories consist primarily of purchased goods. Inventory is valued at the lower of fair value and cost.
Change in inventories is included in cost of goods sold.

Note 10 Finansiell markedsrisiko / Financial market risk

Selskapet er eksponert for valutasvingninger ved kjøp og salg til utlandet. Transaksjoner føres til dagskurs og valutagevinst og tap føres ved betaling. / The company is exposed to currency fluctuations by purchase and sale to other countries. Transactions are recorded at actual spot rate and foreign exchange gains and losses are recorded on date of payment.

Netto valutagevinst for 2020 beløper seg i 2020 til totalt NOK 5 026 984 (2019: netto valutatap beløper seg til NOK 1 423 945).
The foreign exchange gains for 2020 amount to NOK 5 026 984 (2019: net foreign exchange loss amounting NOK 1 423 945)

Note 11 Driftsinntekter / Revenues

	2020	**2019**
Utleie av utstyr og containere / Rental revenues	210 980 565	193 583 843
Salg av handelsvarer / Sales revenues	10 209 527	20 008 029
Salg av containere / Sales revenues	23 886 446	14 274 500
Annen driftsinntekt / Other operating income	1 633 476	2 369 475
Sum / Total	**246 710 014**	**230 235 847**

Det vesentligste av driftsinntektene er i Norge. / Most of the revenue is generated in Norway.

Note 12 - Transaksjoner med nærstående parter / Transactions with related parties

Selskapet har foretatt transaksjoner med noen av sine nærstående parter. Nærstående parter består av morselskap, søsterselskap og andre selskaper i Modex konsernet. Selskapet mener at alle transaksjoner er foretatt som del av den ordinære virksomheten og til armlengdes priser.
/ The company have made transactions with related parties. Related parties consist of parent company, associated companies and ultimate parent company. All transactions are carried out as a part of the ordinary operations and at arms`s length prices.

Resultatmessige transaksjoner med nærstående parter/ Related party transactions, profit and loss :

Transaksjon /Transaction	**Tilhører resultatlinje / Belongs to P&L line**	**Forhold til motparten / 'Relationship to the counterpart**	**2020**
Kjøp / Purchase	Varekostnad / Material cost	Søster / Associated company	12 004 461
Kjøp / Purchase	Administrasjonskostnader / Management fee	Søster / Associated company	4 547 876
Salg / Sale	Salgsinntekt / Sales revenue	Søster / Associated company	1 642 099
Renter / Interest	Renteinntekt fra foretak i samme konsern / Interest income from group companies	Mor / Parent company	9 311 016
Sum netto			**-5 599 222**

Mellomværende med nærstående parter / Related party balance items:

	Kundefordringer / Accounts receivables		**Langsiktig fordringer / Long-term receivables**	
Motpart / Counterpart	**2020**	**2019**	**2020**	**2019**
Søsterselskap / Associated company	241 604	571 012	8 606 570	8 625 810
Mor / Parent company	-	-	201 744 697	192 133 681
Sum	**241 604**	**571 012**	**210 351 267**	**200 759 491**

	Leverandørgjeld / Accounts payable		**Annen kortsiktig gjeld / Other current liabilities**	
Motpart / Counterpart	**2020**	**2019**	**2020**	**2019**
Søsterselskap / Associated company	9 594 393	13 917 751	136 210 220	137 004 911
Sum	**9 594 393**	**13 917 751**	**136 210 220**	**137 004 911**

Note 13 - Gjeld til tidligere aksjonærer / Liabilities to previous shareholders

Selskapet har lån til tidligere aksjonærer og nye låneavtaler ble formalisert i april 2016. Lånene bærer en rente på 5% på det utestående lånebeløpet og akkumulert rente. Lånene vil tilbakebetales når eksisterende banklån er tilbakebetalt. Lånene er langsiktige og underordnede til banklån og til det nye obligasjonslånet som ble utstedt i mars 2021.

The Company has loans to former shareholders for which new loan agreements were formalized in April 2016. The loans bear an interest rate of 5% per annum on the outstanding loan amount and compounding interest. The loans are long term and subordinated to the bank loans and to the new bond loan issued in March 2021.

Note 14 - Betinget gjeld / Contingent liability

I 2016 erfarte Modex AS to kjettinger som ble ødelagt. Som et resultat fra undersøkelsene og inspeksjonene, konkluderte Modex AS med å gradvis slutte å bruke 'Grade 10' kjettinger og erstattet disse med 'Grade 8' kjettinger. De ødelagte kjettingene har blitt gradvis erstattet. Modex AS har pr. 31.12.2020 bokført en forpliktelse på kr 2.727.500, presentert i annen kortsiktig gjeld ettersom erstatningen av kjettingene er fortsatt pågående.

/ In 2016, Modex AS experienced two broken sling incidents. As a result of the extraordinary inspections and investigations, Modex AS concluded to gradually stop using Grade 10 lifting chains and replacing these with Grade 8 chains. The faulty slings have partially been replaced in the last couple of years. Modex AS has per 31.12.2020 a remaining liability of NOK 2.727.500, presented in other current liabilities as the replacement of the remaining slings is ongoing.

Note 15 - Hendelser etter balansedagen / Subsequent events

I mars 2021 foretok selskapet en obligasjonsutstedelse tilsvarende 550 millioner kroner til margin lik 7.75% NIBOR, med kvartalsvise rentebetalinger, hvor forfall er 2. mars 2026. Midlene fra obligasjonsutstedelsen ble benyttet til å betale eksisterende lånefasiliteter. I tillegg har selskapet i mars 2021 også inngått en rentebærende gjeldsavtale på 40 millioner kroner som forfaller i mars 2024.

/In March 2021, the Company successfully launched a MNOK 550 bond at an interest rate of 7.75% NIBOR, with interest payments payable every quarter, and maturity date of 2 March 2026. The proceeds from the bond were used to fully repay the loan facility. In addition, in March 2021, the Company secured a Revolving Credit Facility of MNOK 40 which terminates in March 2024.

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Til generalforsamlingen i Modex AS

UAVHENGIG REVISORS BERETNING

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Modex AS' årsregnskap som viser et overskudd på kr 25 362 354. Årsregnskapet består av balanse per 31. desember 2020, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noteopplysninger til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2020, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet
Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med dem som har overordnet ansvar for styring og kontroll blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om andre lovmessige krav
Konklusjon om årsberetningen
Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til resultatdisponering er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon
Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Stavanger, 26. mars 2021
Deloitte AS

Arnstein Antonsen
statsautorisert revisor

APPENDIX 1D

THE ISSUER'S AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR OF 2019

Årsregnskap / annual accounts

Modex AS

2019

Modex AS

Resultatregnskap / Income Statement

	Note	2019	2018
Driftsinntekt / Revenue			
Salgsinntekt / Sales revenue	11	227 866 372	200 938 427
Annen driftsinntekt / Other operating income	11, 14	2 369 475	12 605 512
Sum driftsinntekt / Total revenues		**230 235 847**	**213 543 939**
Driftskostnad / Operating cost			
Varekostnad / Material cost	9, 14	33 409 706	47 226 537
Lønnskostnad /Saleries	2	50 159 241	46 991 520
Avskrivninger / Depreciation	3	52 213 315	37 428 338
Annen driftskostnad / Other operating expenses	12	59 634 383	56 622 404
Sum driftskostnad / Total operating cost		**195 416 646**	**188 268 800**
Driftsresultat / Operating result		**34 819 202**	**25 275 139**
Finansinntekt og finanskostnad / Finance income and cost			
Renteinntekt fra foretak i samme konsern / Interest income from group companies	12	8 891 996	9 420 761
Renteinntekt / Interest income		169 585	133 377
Rentekostnad / Interest expenses	12	-22 506 603	-16 050 450
Annen finanskostnad / Other finance expenses		-1 423 945	-10 177 006
Ordinært resultat før skattekostnad / Result before taxes		**19 950 235**	**8 601 821**
Skattekostnad på ordinært resultat / Tax on ordinary result	4	4 445 580	936 533
Ordinært resultat / Ordinary result		**15 504 655**	**7 665 289**
Årsresultat / Annual net profit		**15 504 655**	**7 665 289**
Anvendelse av årsresultatet / Dispositions			
Avgitt konsernbidrag / Group contribution	5	0	0
Annen egenkapital / To other equity	5	15 504 655	7 665 289
Sum disponering / Total dispositions		**15 504 655**	**7 665 289**

Modex AS

Balanse pr. 31.12.

	Note	2019	2018
EIENDELER / ASSETS			
Anleggsmidler / Fixed assets			
Varige driftsmidler / Tangible fixed assets			
Bygninger / Buildings	3	551 671	858 076
Utleie utstyr / Rental equipment	3	574 896 768	590 142 811
Driftsløsøre, inventar og utstyr / Equipments	3	1 364 165	1 273 365
Finansiell leasing / Financial leasing	3	352 155	741 121
Sum varige driftsmidler / Total tangible fixed assets		**577 164 759**	**593 015 373**
Finansielle anleggsmidler / Financial fixed assets			
Lån til selskap i konsern / Loan to associated companies	12	200 759 491	191 559 484
Sum finansielle anleggsmidler / Total financial assets		**200 759 491**	**191 559 484**
Sum anleggsmidler / Total fixed assets		**777 924 250**	**784 574 857**
Omløpsmidler / Current assets			
Lager av varer og annen beholdning / Inventories	9, 12	12 225 370	14 039 592
Fordringer / Receivables			
Kundefordringer / Accounts receivables	12	46 149 349	39 927 017
Andre fordringer / Other receivables		17 091 324	13 060 906
Sum fordringer / Total receivables		**63 240 674**	**52 987 923**
Bankinnskudd, kontanter o.l / Cash and cash deposits	7	**3 187 157**	**13 671 209**
Sum omløpsmidler / Total current assets		**78 653 201**	**80 698 723**
SUM EIENDELER / TOTAL ASSETS		**856 577 452**	**865 273 581**

Modex AS

Balanse pr. 31.12.

	Note	2019	2018
EGENKAPITAL OG GJELD / EQUITY AND LIABILITIES			
Egenkapital /Equity			
Innskutt egenkapital / Restricted equity			
Aksjekapital / Share capital	5, 6	2 500 000	2 500 000
Overkurs / Share premium reserve	5	85 683 690	85 683 690
Sum innskutt egenkapital / Total restricted equity		**88 183 690**	**88 183 690**
Opptjent egenkapital / Retained earnings			
Annen egenkapital / Other equity	5	145 748 726	130 244 070
Sum opptjent egenkapital / Total retained earnings		**145 748 726**	**130 244 070**
Sum egenkapital / Total equity		**233 932 416**	**218 427 760**
Gjeld / Liabilities			
Avsetning for forpliktelser / Provisions			
Utsatt skatt / Deferred taxes	4	28 247 477	23 801 897
Sum avsetning for forpliktelser / Total provisions		**28 247 477**	**23 801 897**
Annen langsiktig gjeld / Other long-term liabilities			
Gjeld til tidligere aksjonærer / Liabilities to previous shareholders	13	24 474 088	23 308 656
Gjeld til kredittinstitusjoner / Liabilities to financial institutions	8	382 005 929	413 740 346
Øvrig langsiktig gjeld / Other long-term liabilities	3	384 348	798 905
Sum annen langsiktig gjeld / Total long-term liabilities		**406 864 365**	**437 847 907**
Kortsiktig gjeld / Current liabilities			
Leverandørgjeld / Trade creditors	12	36 070 434	35 726 778
Skyldige offentlige avgifter / Public duties payable		3 308 167	3 316 116
Annen kortsiktig gjeld / Other current liabilities	12, 14	148 154 593	146 153 124
Gjeld til kredittinstitusjoner / Liabilities to financial institutions	8	0	0
Sum kortsiktig gjeld / Total current liabilities		**187 533 194**	**185 196 018**
Sum gjeld / Total liabilities		**622 645 036**	**646 845 822**
SUM EGENKAPITAL OG GJELD/TOTAL EQUITY AND LIABILITIES		**856 577 452**	**865 273 581**

Bryne, ………………..2020

I styret for Modex AS/ Board of Directors for Modex AS

Eric Marius Snellen
Styrets formann/Chairman of the Board

Jens Petter Broch
Daglig leder/Styremedlem
CEO/Board member

Modex AS

Kontantstrømanalyse / Cashflow

	2019	2018
Kontantstrøm fra driften / Cash flow from operations		
Resultat før skattekostnad / Result before taxes	19 950 235	8 601 821
Periodens betalte skatter / Taxes paid during the period	0	0
Ordinære avskrivninger / Depreciation	52 918 902	37 489 495
Endring i lager, kunder og leverandører / Change in stock, customers and suppliers	-4 064 454	24 019 682
Endring i andre tidsavgrensningsposter / Change in other accruals	-2 036 898	86 974 833
Tilført fra årets virksomhet / Cash flow from operations	**66 767 785**	**157 085 831**
Kontantstrøm fra investeringsaktivitetene /Cash flow from investment activities		
Innbetalinger ved salg av varige driftsmidler utover gevinst / Cash from sales of fixed assets in excess of gains	4 481 610	510 022
Utbetalinger ved kjøp av varige driftsmidler / Payments of equipments	-41 549 898	-339 221 579
Netto kontantstrøm fra investeringsaktiviteter / Net cashflow from investment activities	**-37 068 289**	**-338 711 557**
Kontantstøm fra finansieringsaktivitetene/Cash flow from financing acivities		
Endring i gjeld til kredittinstitusjoner / Change in liabilities to financial institutions	-31 734 417	119 036 633
Utbetaling av utbytte / Paid dividend	0	0
Betalt konsernbidrag / Paid group contribution	0	0
Lån til selskap i konsern / Loan to associated companies	-9 200 006	62 861 350
Endring i annen langsiktig gjeld / Change in other long term liabilities	-414 557	-1 090 325
Endring gjeld til tidligere aksjonærer / Change in liabilities to former shareholders	1 165 433	1 109 936
Netto kontantstrøm fra finansieringsaktiviteter / Net cash flow from financing activities	**-40 183 548**	**181 917 594**
Netto endring i likviditeter gjennom året / Net changes in cash during the year	**-10 484 052**	**291 868**
Likviditetsbeholdning 01.01. / Cash and Cash equivalents 01.01.	13 671 209	13 379 341
Likviditetsbeholdning pr 31.12. / Cash and Cash equivalents 31.12.	**3 187 157**	**13 671 209**

Modex AS
Noter til regnskapet for 2019 / Notes to the financial statements for 2019

Note 1 - Regnskapsprinsipper
Årsregnskapet, som er utarbeidet av selskapets styre og ledelse, må leses i sammenheng med årsberetningen og revisjonsberetningen.

Årsregnskapet består av resultatregnskap, balanse, kontantstrømoppstilling og noteopplysninger og er avlagt i samsvar med aksjelov, regnskapslov og god regnskapsskikk i Norge gjeldende pr. 31. desember .

Regnskapsprinsipper
Årsregnskapet er basert på de grunnleggende prinsipper om historisk kost, sammenlignbarhet, fortsatt drift, kongruens og forsiktighet. Transaksjoner regnskapsføres til verdien av vederlaget på transaksjonstidspunktet. Inntekter resultatføres når de er opptjent og kostnader sammenstilles med opptjente inntekter.

Ved anvendelse av regnskapsprinsipper og presentasjon av transaksjoner og andre forhold, legges det ved på økonomiske realiteter, ikke bare juridisk form. Betingede tap som er sannsynlige og kvantifiserbare, kostnadsføres. Regnskapsprinsippene er utdypet nedenfor.

Inntekts- og kostnadsføringstidspunkt (sammenstilling)
Inntekt resultatføres som hovedregel når den er opptjent. Utgifter sammenstilles med og kostnadsføres samtidig med de inntekter utgiftene kan henføres til. Utgifter som ikke kan henføres direkte til inntekter, kostnadsføres når de påløper.

Pensjoner
Innskuddsplaner periodiseres etter sammenstillingsprinsippet. Årets innskudd til pensjonsordningen kostnadsføres

Eiendeler og gjeld
Eiendeler/gjeld som knytter seg til varekretsløpet og poster som forfaller til betaling innen ett år etter balansedagen, er klassifisert som omløpsmidler/kortsiktig gjeld. Vurdering av omløpsmidler/kortsiktig gjeld skjer til laveste/høyeste verdi av anskaffelseskost og virkelig verdi. Virkelig verdi er definert som antatt fremtidig salgspris redusert med forventede salgskostnader. Andre eiendeler er klassifisert som anleggsmidler. Vurdering av anleggsmidler skjer til anskaffelseskost. Anleggsmidler som forringes avskrives. Dersom det finner sted en verdiendring som ikke er forbigående, foretas en nedskrivning av anleggsmidlet. Tilsvarende prinsipper legges normalt til grunn for gjeldsposter.

Kontantstrømoppstilling
Kontantstrømoppstillingen er utarbeidet etter den indirekte metoden.
Kontanter og kontantekvivalenter omfatter kontanter og bankinnskudd.

Varige driftsmidler
Varige driftsmidler balanseføres og avskrives lineært over driftsmidlets forventede levetid. Vesentlige driftsmidler som består av betydelige komponenter med ulik levetid er dekomponert med ulik avskrivningstid for de ulike komponentene. Direkte vedlikehold av driftsmidler kostnadsføres løpende under driftskostnader, mens påkostninger eller forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Dersom gjenvinnbart beløp av driftsmiddelet er lavere enn balanseført verdi foretas nedskrivning til gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av netto salgsverdi og verdi i bruk. Verdi i bruk er nåverdien av de fremtidige kontantstrømmene som eiendelen forventes å generere.

Selskapet har vurdert den økonomiske levetiden på varige driftsmidler og basert på denne vurderingen er den økonomsike levetiden endret for utleie utstyr (som består av moduler, containere og tanker) fra og med 1. januar 2014. Endringen i regnskapsestimat har blitt regnskapsført prospektivt i 2014 regnskapet.

Varelager
Beholdninger av varer vurderes til det laveste av kostpris etter "først inn - først ut"-prinsippet og antatt salgspris. Kostpris for innkjøpte varer er anskaffelseskost.

Fordringer

Fordringer er oppført til pålydende med fradrag for forventede tap.

Pengeposter i utenlandsk valuta

Pengeposter i utenlandsk valuta er vurdert til balansedagens kurs.

Utsatt skatt

Utsatt skatt beregnes på bakgrunn av midlertidige forskjeller mellom regnskapsmessige og skattemessige verdier ved utgangen av regnskapsåret. Ved beregningen benyttes nominell skattesats. Positive og negative forskjeller vurderes mot hverandre innenfor samme tidsintervall.

Utsatt skattefordel oppstår dersom en har midlertidige forskjeller som gir opphav til skattemessige fradrag i fremtiden. Årets skattekostnad består av betalbar skatt for inntektsåret, samt endring i utsatt skatt.

Modex AS

Noter til regnskapet for 2019 / Notes to financial statement for 2019

Note 2 Ansatte, godtgjørelser, lån til ansatte m.v. / Salaries, remuneration, loans to employees and other

Lønnskostnader består av følgende poster: / Payroll costs contains of the follwings;

	2019	2018
Lønninger / Salaries	39 015 495	36 257 409
Folketrygdavgift / Social security	5 922 718	5 684 208
Pensjonskostnad / Pension cost	2 996 317	2 861 658
Andre lønnskostnader / Other personnel expenses	2 224 711	2 188 245
Sum lønnskostnader / Total payroll costs	50 159 241	46 991 520
Antall årsverk / Average number of employees	61,0	62,4

Godtgjørelser til daglig leder/Remuneration to CEO	2019
Lønn/ Salary	1 396 074
Pensjonskostnad / Pension cost	99 360
Annen godtgjørelse / Other remuneration	73 985
Sum / Total	1 569 419

Godtgjørelser til styret / Remuneration for the Board	2019
Lønn / Salery	0
Pensjonskostnad / Pension cost	0
Annen godtgjørelse / Other remuneration	0
Sum/Total	0

Pensjonskostnader/ pension costs

Foretaket er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon, og har pensjonsordning som tilfredsstiller kravene i denne loven. Foretakets innskuddsordning er organisert i henhold til lov om innskuddspensjon. /

The company is required to have an occupational post-employment plan in accordance with Norwegian legislation on occupational post-employment ("lov om obligatorisk tjenestepensjon"). The entity's defined contribution plan is organized in accordance with Norwegian legislation on defined contribution pensions

Revisor / Audit

Kostnadsført godtgjørelse til selskapets revisor Deloitte AS er som følger: /
Remuneration to the statutory auditor of the Company is as follows:

	2019	2018
Lovpålagt revisjon / Audit service	494 000	539 398
Andre tjenester / Other services	180 941	113 113
Sum/Total (ekskl. mva / excl. VAT)	674 941	652 511

Note 3 Varige driftsmidler / Fixed assets

	Bygg & anlegg / Building	Utleieutstyr Rental equipment	Driftsløsøre Other	Totalt /Total (excl. leasing)
Anskaffelseskost 01.01./ Puchase cost as of 01.01.	4 710 392	974 363 119	29 299 649	1 008 373 160
Tilgang kjøpte driftsmidler / Additions during the period	103 868	39 836 081	904 362	40 844 311
Avgang / Disposals	0	-9 421 929	-843 500	-10 265 429
Anskaffelseskost 31.12./ Purchase cost as of 31.12	4 814 260	1 004 777 271	29 360 511	1 038 952 042
Akkumulerte avskrivninger 31.12. / Acc. deprec. as of 31.12	4 262 591	429 880 503	27 996 346	462 139 440
Balanseført verdi pr. 31.12. / Book value as of 31.12	551 671	574 896 768	1 364 165	576 812 604
Årets avskrivninger / Depreciations for this year	410 273	50 600 515	813 562	51 824 350
Økonomisk levetid / Economic life	10 år	15 - 25 år	3-5 år	
Avskrivningsplan / Depreciation schedule	Linær	Lineær	Lineær	

Finansiell leasing / Financial leasing

Det er balanseført finansiell leasing klassifisert som driftsmidler og med tilhørende gjeld i balansen.
Balanseført verdi 31.12. er NOK 352 155 og årets avskrivning er NOK 388 965.

/ In the balance sheet financial leasing is classified as assets with corresponding liabilities.
Book value as of 31.12. is NOK 352 155, and the depreciation for the year is NOK 388 965.

Modex AS

Noter til regnskapet for 2019 / Notes to financial statement for 2019

Note 4 Skatt / Taxes

	2019	2018
Årets skattekostnad fremkommer slik:/Taxes are calculated as follows:		
Betalbar skatt på årets resultat/ Tax payable	0	0
Brutto endring utsatt skatt / skattefordel /Change in deferred taxes	4 445 580	2 018 437
Virkning av endring i skatteregler / Effect of changes in tax regulations	0	-1 081 905
Årets totale skattekostnad ordinært resultat/ This year's taxes	4 445 580	936 532
Betalbar skatt i årets skattekostnad fremkommer slik: / Tax payable is calculated as follows:		
Ordinært resultat før skattekostnad/ Result before tax	19 950 235	8 601 821
Permanente forskjeller / Non deductable costs	257 004	191 012
Permanente forskjeller / Non taxable income (incl. Skattefunn)	-59	-17 020
Anvendelse framførbart underskudd / (utilize)/increase tax loss carry-forward	23 008 830	51 934 584
Endring midlertidige forskjeller /Changes in temporary differences	-43 216 010	-60 710 399
Grunnlag betalbar selskapsskatt / Basis for calculating tax payable	0	0
Avgitt konsernbidrag / Group contribution	0	0
Grunnlag betalbar skatt etter konsernbidrag / Basis for tax payable after group contribution	0	0
Betalbar skatt i balansen fremkommer slik: / Taxes payable in the balance sheet consist of the following:		
Betalbar skatt på årets resultat etter konsernbidrag/Taxes payable on this years result after group contribution	0	0
Betalbar skatt i balansen / Total tax payable	0	0
Forskjeller som utlignes: /Temporary differences		
Anleggsmidler / Fixed assets	235 654 697	199 745 812
Varelager / Inventory	-8 425 000	-8 425 000
Avsetning for forpliktelser / Provisions for liabilities	-4 320 750	-11 627 875
Fordringer / Receivables	-300 000	-300 000
Sum / Total	222 608 947	179 392 937
Fremførbart underskudd / Taxable loss - carryforward	-94 211 327	-71 202 497
Grunnlag for beregning av utsatt skatt / utsatt skattefordel / basis for deferrd tax	128 397 620	108 190 440
Utsatt skatt (22 %/ 22%) / Deferred tax (22 %/ 22 %)	28 247 476	23 801 897

Note 5 Egenkapital / Equity

	Aksjekapital/ Share capital	**Overkurs Premium reserve**	**Annen EK/ Other Equity**	**Sum/ Total equity**
Egenkapital 01.01./ Equity 01.01	2 500 000	85 683 690	130 244 070	218 427 760
Avgitt konsernbidrag / Group contribution	0	0	0	0
Årsresultat / This year's result	0	0	15 504 655	15 504 655
Egenkapital 31.12./ Equity 31.12.	2 500 000	85 683 690	145 748 725	233 932 416

Note 6 Aksjekapital og aksjonærinformasjon /Share capital and shareholder information

Aksjekapitalen i Modex AS pr. 31.12. består av 25 000 aksjer a kr 100: / The share capital consist of 25 000 shares each with a nominell value of NOK 100.

	Antall/ Number	**Pålydende/ Nominell value**	**Balanseført/ Book value**
Aksjer / Shares	25 000	100	2 500 000

Eierstruktur: / Shareholders:	**Aksjer/ Shares**	**Eierandel/ Ownership**	**Stemmeandel/ Equity intrest**
Euro Offshore Holding AS	25 000	100 %	100 %

Selskapets regnskap er konsolidert i Euro Offshore Holding AS sitt konsernregnskap som kan fås utlevert ved henvendelse til selskapets forretningsadresse på Bryne. / The accounts are consolidated in the Consolidated Financial Statements of Euro Offshore Holding AS. Consolidated Financial Statements are available in the office in Bryne.

Note 7 Bundne midler / Tax deposits

I posten inngår bundne bankinnskudd bestemt for skattetrekk med NOK 1 882 820 /
Cash and cash deposits include restricted bank balances of NOK 1 882 820 relating to withheld employee salary taxes.

Note 8 Gjeld til kreditinstitusjoner, pantstillelser og garantiansvar / Debt to financial institutions, mortgages and guarantees

	2019	2018
Balanseført gjeld som er sikret ved pant ol.		
/ Balance sheet liabilities secured by mortgage		
Gjeld til kredittinstitusjoner / Liabilities to financial institutions	382 005 929	413 740 346
Sum / Total	**382 005 929**	**413 740 346**

Lånefasiliteten til Modex AS er en del av lånerammeavtale i morselskapet Modex Holding Limited ("konsernet") som er til felles bruk for selskapet og de tilknyttede selskapene. Gjelden ble refinansiert med bankene den 27. juli 2018 (effektiv dato).

Basert på fornyet lånefasilitetsavtale nevnt ovenfor, har terminlånene en samlet rente på gjeldende margin fra 3.00% til 4.00% per år basert på forholdet mellom netto gjeld og resultatet før renter, skatt, avskrivninger og nedskrivninger (EBITDA) ved begynnelsen av hver renteperiode, pluss London Interbank Offered Rate (LIBOR) hvis lånet omregnes til amerikansk dollar, pluss Norway Interbank Offered Rate ("NIBOR") hvis lånet omregnes til norske kroner. Den fornyede lånefasilitetsavtalen vil fortsatt vurderes mot oppdaterte finansielle betingelser ved hver kvartalsslutt, med sikkerhet i konsernets anlegg og utstyr samt garantier fra enkelte av de tilknyttede selskapene. Lånet vil bli tilbakebetalt med påfølgende kvartalsvise avdrag fra USD 1.275.000 til USD 1.500.000 fra kvartalet som starter ved effektiv dato samt et endelig enkelt avdrag av gjenstående balanse pr. 27. juli 2021.

Per 31. desember 2019 er ikke selskapet i brudd med de finansielle betingelsene for lånet

/ Modex AS has a loan facility that is arranged at parent company level, Modex Holding Limited ("the group"), and is for joint use by the Company and associated companies. The debt was refinanced successfully with the financial institutions on 27 July 2018 (“Effective Date”).

Based on the renewed loan facility agreement above, the term loan bears an aggregate interest of the applicable margin ranging from 3.00% to 4.00% per annum by reference to the ratio of Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) at the beginning of each interest period, plus London Interbank Offered Rate (“LIBOR”) if the loan is denominated in United States Dollar, and Norway Interbank Offered Rate (“NIBOR”) if the loan is denominated in Norwegian Kroner. This renewed loan facility will continue to be subject to certain revised financial covenants at the end of each fiscal quarter end, secured by legal mortgages over the Group's plant and equipment and corporate guarantees by certain related companies, and will be repayable by consecutive quarterly instalments ranging from USD 1.275.000 to USD 1.500.000 with the quarter commencing on the Effective Date and a final single instalment of the remaining balance on 27 July 2021.

At 31. December 2019, there is no breach of any covenants on the loan.

Note 9 Varer / Inventories

Varelager består i hovedsak av ferdig innkjøpte varer. Varelageret er verdsatt til det laveste av virkelig verdi og anskaffelseskostnad. Beholdningsendring inkluderes i varekostnad.
/ Inventories consist primarily of purchased goods. Inventory is valued at the lower of fair value and cost. Change in inventories is included in cost of goods sold.

Note 10 Finansiell markedsrisiko / Financial market risk

Selskapet er eksponert for valutasvingninger ved kjøp og salg til utlandet. Transaksjoner føres til dagskurs og valutagevinst og tap føres ved betaling. / The company is exposed to currency fluctuations by purchase and sale to other countries. Transactions are recorded at actual spot rate and foreign exchange gains and losses are recorded on date of payment.

Note 11 Driftsinntekter / Revenues

	2019	**2018**
Utleie av utstyr og containere / Rental revenues	193 583 843	173 501 963
Salg av handelsvarer / Sales revenues	20 008 029	17 808 006
Salg av containere / Sales revenues	14 274 500	9 628 458
Annen driftsinntekt / Other operating income	2 369 475	12 605 512
Sum / Total	**230 235 847**	**213 543 939**

Det vesentligste av driftsinntektene er i Norge. / Most of the revenue is generated in Norway.

Note 12 - Transaksjoner med nærstående parter / Transactions with related parties

Selskapet har foretatt transaksjoner med noen av sine nærstående parter. Nærstående parter består av morselskap, søsterselskap og andre selskaper i Modex konsernet. Selskapet mener at alle transaksjoner er foretatt som del av den ordinære virksomheten og til armlengdes priser.
/ The company have made transactions with related parties. Related parties consist of parent company, associated companies and ultimate parent company. All transactions are carried out as a part of the ordinary operations and at arms`s length prices.

Resultatmessige transaksjoner med nærstående parter/ Related party transactions, profit and loss :

Transaksjon /Transaction	**Tilhører resultatlinje / Belongs to P&L line**	**Forhold til motparten / 'Relationship to the counterpart**	**2019**
Kjøp / Purchase	Varekostnad / Material cost	Søster / Associated company	20 029 126
Kjøp / Purchase	Administrasjonskostnader / Management fee	Søster / Associated company	4 558 245
Salg / Sale	Salgsinntekt / Sales revenue	Søster / Associated company	6 270 683
Renter / Interest	Renteinntekt fra foretak i samme konsern / Interest income from group companies	Mor / Parent company	8 891 996
Renter / Interest	Renteinntekt fra foretak i samme konsern / Interest income from group companies	Søster / Associated company	-
Sum netto			**-9 424 692**

Mellomværende med nærstående parter / Related party balance items:

	Kundefordringer / Accounts receivables		**Langsiktig fordringer / Long-term receivables**	
Motpart / Counterpart	**2019**	**2018**	**2019**	**2018**
Søsterselskap / Associated company	571 012	1 874 282	8 625 810	8 625 810
Mor / Parent company	-	-	192 133 681	182 933 675
Sum	**571 012**	**1 874 282**	**200 759 491**	**191 559 484**

	Leverandørgjeld / Accounts payable		**Annen kortsiktig gjeld / Other current liabilities**	
Motpart / Counterpart	**2019**	**2018**	**2019**	**2018**
Søsterselskap / Associated company	13 917 751	762 172	137 004 911	129 216 111
Sum	**13 917 751**	**762 172**	**137 004 911**	**129 216 111**

Note 13 - Gjeld til tidligere aksjonærer / Liabilities to previous shareholders

Selskapet har lån til tidligere aksjonærer og nye låneavtaler ble formalisert i april 2016. Lånene bærer en rente på 5% på det utestående lånebeløpet og akkumulert rente. Lånene vil tilbakebetales når eksisterende banklån er tilbakebetalt.

The Company has loans to former shareholders for which new loan agreements were formalized in April 2016. The loans bear an interest rate of 5% per annum on the outstanding loan amount and compounding interest. The loan will be repaid only when the existing bank loan has been repaid.

Note 14 - Betinget gjeld / Contingent liability

I 2016 brukte Modex AS to kjettinger som ble ødelagt, dette har medført mye ekstra kostnader og ressursbruk i etterkant. Som et resultat av funnene fra undersøkelsene og inspeksjonene, konkluderte Modex AS å gradvis slutte å bruke 'Grade 10' kjettinger og erstattet disse med 'Grade 8' kjettinger. Modex AS holdt leverandøren ansvarlig for alle kostnadene selskapet pådro seg i forbindelse med at kjettingene sviktet, og gikk til søksmål mot leverandøren for å få erstattet disse kostnadene. I 2018 inngikk Modex AS og leverandøren et forlik vedrørende kravene fra Modex AS. Forliket innebærer et engangsbeløp tilsvarende kostnadene for de ødelagte kjettingene som skal erstattes av leverandøren til Modex AS. Betalingen ble mottatt i sin helhet i august 2018 og inntekten er inkludert i annen driftsinntekt. De ødelagte kjettingene har blitt gradvis erstattet. Modex AS har pr. 31.12.2019 bokført en forpliktelse på kr 4.320.750, presentert i annen kortsiktig gjeld ettersom erstatningen av kjettingene er fortsatt pågående.

/ In 2016, Modex AS experienced two broken sling incidents, which have resulted in a lot of extra cost and use of resources. As a result of the extraordinary inspection and investigation reports, Modex AS concluded to gradually stop using Grade 10 lifting chains and replacing these with Grade 8 chains. Modex AS held the chain sling supplier liable for all cost the company has incurred in connection with these sling failures and built a lawsuit against the supplier to recover these costs. In 2018, Modex AS and the supplier came to a settlement in regards to the claims made by Modex AS and the settlement comprised of a single and final payment equivalent to the broken sling costs to be replaced by the supplier to Modex AS. The payment was received in full in August 2018 and related income has been included in "other operating income" in 2018. The faulty slings have been replaced progressively. Modex AS has per 31.12.2019 a remaining liability of NOK 4.320.750, presented in other current liabilities as the replacement of slings is still ongoing.

Note 15 - Hendelser etter balansedagen / Subsequent events

I begynnelsen av 2020 står verden overfor enestående økonomiske effekter av Covid-19. Nedgangen i etterspørsel etter olje og gass har resultert i lave oljepriser. Dette har medført usikkerheter i olje- og gassindustrien. Siden nedgangen for noen år siden har olje- og gassutforskningsindustrien, spesielt i det norske O&G markedet som konsernet opererer i, imidlertid vært forsiktig med forbruk. Med den norske regjeringens kunngjøring om planer om å fortsette støtten til næringen, forventer vi at virkningen av de nåværende lave prisene er håndterbare. Selv om Covid-19 har resultert i at vi opererer i ekstraordinære tider og som et resultat mye usikkerheter om hvordan fremtiden kan se ut, tror vi at Modex konsernet sin økonomiske stilling, og erfaringer fra O&G nedgangen de siste årene, vil hjelpe konsernet i møte med eventuelle nye utfordringer.

/ At the start of 2020 the world is facing unprecedented economic effects of Covid-19. The decrease in oil and gas demand has resulted in low oil prices. This has brought about uncertainties in the oil and gas industry. However, since the downturn a few years ago, the oil and gas exploration industry, especially in the Norwegian O&G market which the group operates in, has been cautious with spending. With the Norwegian Government announcing plans to continue the support of the industry, we expect the impact of the current low prices to be manageable. Although Covid-19 has resulted that we operate in unprecedented times and as a result in many uncertainties how the future may look like, we believe that Modex groups financial position, and experiences gained during the O&G downturn the past few years will assist the group in meeting any new challenges.

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Til generalforsamlingen i Modex AS

UAVHENGIG REVISORS BERETNING

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Modex AS' årsregnskap som viser et overskudd på kr 15 504 655. Årsregnskapet består av balanse per 31. desember 2019, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noteopplysninger til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2019, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med dem som har overordnet ansvar for styring og kontroll blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om andre lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til resultatdisponering er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Stavanger, 7. mai 2020
Deloitte AS

Arnstein Antonsen

Arnstein Antonsen
Statsautorisert revisor

APPENDIX 1E

THE ISSUER'S AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR OF 2018

Årsregnskap / annual accounts

Modex AS

2018

Modex AS

Resultatregnskap / Income Statement

	Note	2018	2017
Driftsinntekt / Revenue			
Salgsinntekt / Sales revenue	11	200 938 427	198 778 810
Annen driftsinntekt / Other operating income	11, 14	12 605 512	2 703 895
Sum driftsinntekt / Total revenues		**213 543 939**	**201 482 705**
Driftskostnad / Operating cost			
Varekostnad / Material cost	9, 14	47 226 537	75 493 054
Lønnskostnad /Saleries	2	46 991 520	44 746 038
Avskrivninger / Depreciation	3	37 428 338	28 730 512
Annen driftskostnad / Other operating expenses	12	56 622 404	55 758 551
Sum driftskostnad / Total operating cost		**188 268 800**	**204 728 154**
Driftsresultat / Operating result		**25 275 139**	**-3 245 449**
Finansinntekt og finanskostnad / Finance income and cost			
Renteinntekt fra foretak i samme konsern / Interest income from group companies	12	9 420 761	9 566 786
Renteinntekt / Interest income		133 377	134 350
Rentekostnad / Interest expenses	12	-16 050 450	-17 142 526
Annen finanskostnad / Other finance expenses		-10 177 006	1 247 704
Ordinært resultat før skattekostnad / Result before taxes		**8 601 821**	**-9 439 135**
Skattekostnad på ordinært resultat / Tax on ordinary result	4	936 533	-3 291 204
Ordinært resultat / Ordinary result		**7 665 288**	**-6 147 930**
Årsresultat / Annual net profit		**7 665 288**	**-6 147 930**
Anvendelse av årsresultatet / Dispositions			
Avgitt konsernbidrag / Group contribution	5	0	0
Annen egenkapital / To other equity	5	7 665 288	-6 147 930
Sum disponering / Total dispositions		**7 665 288**	**-6 147 930**

Modex AS

Balanse pr. 31.12.

	Note	2018	2017
EIENDELER / ASSETS			
Anleggsmidler / Fixed assets			
Varige driftsmidler / Tangible fixed assets			
Bygninger / Buildings	3	858 076	1 152 939
Utleie utstyr / Rental equipment	3	590 142 811	287 339 200
Driftsløsøre, inventar og utstyr / Equipments	3	1 273 365	1 526 656
Finansiell leasing / Financial leasing	3	741 121	1 774 516
Sum varige driftsmidler / Total tangible fixed assets		**593 015 373**	**291 793 311**
Finansielle anleggsmidler / Financial fixed assets			
Lån til selskap i konsern / Loan to associated companies	12	191 559 484	254 420 835
Sum finansielle anleggsmidler / Total financial assets		**191 559 484**	**254 420 835**
Sum anleggsmidler / Total fixed assets		**784 574 857**	**546 214 145**
Omløpsmidler / Current assets			
Lager av varer og annen beholdning / Inventories	9, 12	14 039 592	14 751 721
Fordringer / Receivables			
Kundefordringer / Accounts receivables	12	39 927 017	37 502 962
Andre fordringer / Other receivables		13 060 906	9 936 385
Sum fordringer / Total receivables		**52 987 923**	**47 439 347**
Bankinnskudd, kontanter o.l / Cash and cash deposits	7	**13 671 209**	**13 379 341**
Sum omløpsmidler / Total current assets		**80 698 723**	**75 570 409**
SUM EIENDELER / TOTAL ASSETS		**865 273 581**	**621 784 556**

Modex AS

Balanse pr. 31.12.

	Note	2018	2017
EGENKAPITAL OG GJELD / EQUITY AND LIABILITIES			
Egenkapital /Equity			
Innskutt egenkapital / Restricted equity			
Aksjekapital / Share capital	5, 6	2 500 000	2 500 000
Overkurs / Share premium reserve	5	85 683 690	85 683 690
Sum innskutt egenkapital / Total restricted equity		**88 183 690**	**88 183 690**
Opptjent egenkapital / Retained earnings			
Annen egenkapital / Other equity	5	130 244 070	122 578 782
Sum opptjent egenkapital / Total retained earnings		**130 244 070**	**122 578 782**
Sum egenkapital / Total equity		**218 427 760**	**210 762 472**
Gjeld / Liabilities			
Avsetning for forpliktelser / Provisions			
Utsatt skatt / Deferred taxes	4	23 801 897	22 865 364
Sum avsetning for forpliktelser / Total provisions		**23 801 897**	**22 865 364**
Annen langsiktig gjeld / Other long-term liabilities			
Gjeld til tidligere aksjonærer / Liabilities to previous shareholders	13	23 308 656	22 198 720
Gjeld til kredittinstitusjoner / Liabilities to financial institutions	8	413 740 346	0
Øvrig langsiktig gjeld / Other long-term liabilities	3	798 905	1 889 230
Sum annen langsiktig gjeld / Total long-term liabilities		**437 847 907**	**24 087 950**
Kortsiktig gjeld / Current liabilities			
Leverandørgjeld / Trade creditors	12	35 726 778	9 995 170
Skyldige offentlige avgifter / Public duties payable		3 316 116	2 922 093
Annen kortsiktig gjeld / Other current liabilities	12, 14	146 153 124	56 447 793
Gjeld til kredittinstitusjoner / Liabilities to financial institutions	8	0	294 703 713
Sum kortsiktig gjeld / Total current liabilities		**185 196 018**	**364 068 770**
Sum gjeld / Total liabilities		**646 845 822**	**411 022 084**
SUM EGENKAPITAL OG GJELD/TOTAL EQUITY AND LIABILITIES		**865 273 582**	**621 784 556**

Bryne, 6. Mai 2019

I styret for Modex AS/ Board of Directors for Modex AS

Eric Marius Snellen
Styrets formann/Chairman of the Board

Arne Johan Endresen
Styremedlem/Board member

Jens Petter Broch
Daglig leder/CEO

Modex AS

Kontantstrømanalyse / Cashflow

	2018	2017
Kontantstrøm fra driften / Cash flow from operations		
Resultat før skattekostnad / Result before taxes	8 601 821	-9 439 135
Periodens betalte skatter / Taxes paid during the period	0	0
Ordinære avskrivninger / Depreciation	37 489 495	28 730 511
Endring i lager, kunder og leverandører / Change in stock, customers and suppliers	24 019 682	2 338 612
Endring i andre tidsavgrensningsposter / Change in other accruals	86 974 833	2 773 691
Tilført fra årets virksomhet / Cash flow from operations	**157 085 831**	**24 403 680**
Kontantstrøm fra investeringsaktivitetene /Cash flow from investment activities		
Innbetalinger ved salg av varige driftsmidler utover gevinst / Cash from sales of fixed assets in excess of gains	510 022	1 470 843
Utbetalinger ved kjøp av varige driftsmidler / Payments of equipments	-339 221 579	-7 305 447
Netto kontantstrøm fra investeringsaktiviteter / Net cashflow from investment activities	**-338 711 557**	**-5 834 604**
Kontantstøm fra finansieringsaktivitetene/Cash flow from financing acivities		
Endring i gjeld til kredittinstitusjoner / Change in liabilities to financial institutions	119 036 633	-16 013 610
Utbetaling av utbytte / Paid dividend	0	0
Betalt konsernbidrag / Paid group contribution	0	0
Lån til selskap i konsern / Loan to associated companies	62 861 350	-7 450 739
Endring i annen langsiktig gjeld / Change in other long term liabilities	-1 090 325	-3 035 180
Endring gjeld til tidligere aksjonærer / Change in liabilities to former shareholders	1 109 936	1 057 081
Netto kontantstrøm fra finansieringsaktiviteter / Net cash flow from financing activities	**181 917 594**	**-25 442 447**
Netto endring i likviditeter gjennom året / Net changes in cash during the year	**291 868**	**-6 873 371**
Likviditetsbeholdning 01.01. / Cash and Cash equivalents 01.01.	13 379 341	20 252 712
Likviditetsbeholdning pr 31.12. / Cash and Cash equivalents 31.12.	**13 671 209**	**13 379 341**

Modex AS

Noter til regnskapet for 2018 / Notes to the financial statements for 2018

Note 1 - Regnskapsprinsipper

Årsregnskapet, som er utarbeidet av selskapets styre og ledelse, må leses i sammenheng med årsberetningen og revisjonsberetningen.

Årsregnskapet består av resultatregnskap, balanse, kontantstrømoppstilling og noteopplysninger og er avlagt i samsvar med aksjelov, regnskapslov og god regnskapsskikk i Norge gjeldende pr. 31. desember .

Regnskapsprinsipper

Årsregnskapet er basert på de grunnleggende prinsipper om historisk kost, sammenlignbarhet, fortsatt drift, kongruens og forsiktighet. Transaksjoner regnskapsføres til verdien av vederlaget på transaksjonstidspunktet. Inntekter resultatføres når de er opptjent og kostnader sammenstilles med opptjente inntekter.

Ved anvendelse av regnskapsprinsipper og presentasjon av transaksjoner og andre forhold, legges det ved på økonomiske realiteter, ikke bare juridisk form. Betingede tap som er sannsynlige og kvantifiserbare, kostnadsføres. Regnskapsprinsippene er utdypet nedenfor.

Inntekts- og kostnadsføringstidspunkt (sammenstilling)

Inntekt resultatføres som hovedregel når den er opptjent. Utgifter sammenstilles med og kostnadsføres samtidig med de inntekter utgiftene kan henføres til. Utgifter som ikke kan henføres direkte til inntekter, kostnadsføres når de påløper.

Pensjoner

Innskuddsplaner periodiseres etter sammenstillingsprinsippet. Årets innskudd til pensjonsordningen kostnadsføres

Eiendeler og gjeld

Eiendeler/gjeld som knytter seg til varekretsløpet og poster som forfaller til betaling innen ett år etter balansedagen, er klassifisert som omløpsmidler/kortsiktig gjeld. Vurdering av omløpsmidler/kortsiktig gjeld skjer til laveste/høyeste verdi av anskaffelseskost og virkelig verdi. Virkelig verdi er definert som antatt fremtidig salgspris redusert med forventede salgskostnader. Andre eiendeler er klassifisert som anleggsmidler. Vurdering av anleggsmidler skjer til anskaffelseskost. Anleggsmidler som forringes avskrives. Dersom det finner sted en verdiendring som ikke er forbigående, foretas en nedskrivning av anleggsmidlet. Tilsvarende prinsipper legges normalt til grunn for gjeldsposter.

Kontantstrømoppstilling

Kontantstrømoppstillingen er utarbeidet etter den indirekte metoden.
Kontanter og kontantekvivalenter omfatter kontanter og bankinnskudd.

Varige driftsmidler

Varige driftsmidler balanseføres og avskrives lineært over driftsmidlets forventede levetid. Vesentlige driftsmidler som består av betydelige komponenter med ulik levetid er dekomponert med ulik avskrivningstid for de ulike komponentene. Direkte vedlikehold av driftsmidler kostnadsføres løpende under driftskostnader, mens påkostninger eller forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Dersom gjenvinnbart beløp av driftsmiddelet er lavere enn balanseført verdi foretas nedskrivning til gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av netto salgsverdi og verdi i bruk. Verdi i bruk er nåverdien av de fremtidige kontantstrømmene som eiendelen forventes å generere.

Selskapet har vurdert den økonomiske levetiden på varige driftsmidler og basert på denne vurderingen er den økonomsike levetiden endret for utleie utstyr (som består av moduler, containere og tanker) fra og med 1. januar 2014. Endringen i regnskapsestimat har blitt regnskapsført prospektivt i 2014 regnskapet.

Varelager

Beholdninger av varer vurderes til det laveste av kostpris etter "først inn - først ut"-prinsippet og antatt salgspris. Kostpris for innkjøpte varer er anskaffelseskost.

Fordringer
Fordringer er oppført til pålydende med fradrag for forventede tap.

Pengeposter i utenlandsk valuta
Pengeposter i utenlandsk valuta er vurdert til balansedagens kurs.

Utsatt skatt
Utsatt skatt beregnes på bakgrunn av midlertidige forskjeller mellom regnskapsmessige og skattemessige verdier ved utgangen av regnskapsåret. Ved beregningen benyttes nominell skattesats. Positive og negative forskjeller vurderes mot hverandre innenfor samme tidsintervall.

Utsatt skattefordel oppstår dersom en har midlertidige forskjeller som gir opphav til skattemessige fradrag i fremtiden. Årets skattekostnad består av betalbar skatt for inntektsåret, samt endring i utsatt skatt.

Note 2 Ansatte, godtgjørelser, lån til ansatte m.v. / Salaries, remuneration, loans to employees and other

Lønnskostnader består av følgende poster: / Payroll costs contains of the follwings;

	2018	2017
Lønninger / Salaries	36 257 409	35 012 874
Folketrygdavgift / Social security	5 684 208	5 479 970
Pensjonskostnad / Pension cost	2 861 658	2 686 245
Andre lønnskostnader / Other personnel expenses	2 188 245	1 566 949
Sum lønnskostnader / Total payroll costs	46 991 520	44 746 038
Antall årsverk / Average number of employees	62,4	63,0

Godtgjørelser til daglig leder/Remuneration to CEO	2018
Lønn/ Salary	1 375 320
Pensjonskostnad / Pension cost	91 618
Annen godtgjørelse / Other remuneration	71 820
Sum / Total	1 538 758

Godtgjørelser til styret / Remuneration for the Board	2018
Lønn / Salery	0
Pensjonskostnad / Pension cost	0
Annen godtgjørelse / Other remuneration	0
Sum/Total	0

Pensjonskostnader/ pension costs

Foretaket er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon, og har pensjonsordning som tilfredsstiller kravene i denne loven. Foretakets innskuddsordning er organisert i henhold til lov om innskuddspensjon. /

The company is required to have an occupational post-employment plan in accordance with Norwegian legislation on occupational post-employment ("lov om obligatorisk tjenestepensjon"). The entity's defined contribution plan is organized in accordance with Norwegian legislation on defined contribution pensions

Revisor / Audit

Kostnadsført godtgjørelse til selskapets revisor Deloitte AS er som følger: /

Remuneration to the statutory auditor of the Company is as follows:

	2018	2017
Lovpålagt revisjon / Audit service	539 398	519 934
Andre tjenester / Other services	113 113	93 868
Sum/Total (ekskl. mva / excl. VAT)	652 510	613 802

Note 3 Varige driftsmidler / Fixed assets

	Bygg & anlegg / Building	Utleieutstyr Rental equipment	Driftsløsøre Other	Totalt /Total (excl. leasing)
Anskaffelseskost 01.01./ Puchase cost as of 01.01.	4 630 006	638 474 304	30 125 852	673 230 162
Tilgang kjøpte driftsmidler / Additions during the period	80 386	338 450 766	629 270	339 160 422
Avgang / Disposals	0	-2 561 951	-1 455 473	-4 017 424
Anskaffelseskost 31.12./ Purchase cost as of 31.12	4 710 392	974 363 119	29 299 649	1 008 373 160
Akkumulerte avskrivninger 31.12. / Acc. deprec. as of 31.12	3 852 318	384 220 308	28 026 284	416 098 910
Balanseført verdi pr. 31.12. / Book value as of 31.12	858 076	590 142 811	1 273 365	592 274 253
Årets avskrivninger / Depreciations for this year	375 249	35 008 043	1 011 651	36 394 943
Økonomisk levetid / Economic life	10 år	15 - 25 år	3-5 år	
Avskrivningsplan / Depreciation schedule	Linær	Lineær	Lineær	

Finansiell leasing / Financial leasing

Det er balanseført finansiell leasing klassifisert som driftsmidler og med tilhørende gjeld i balansen.
Balanseført verdi 31.12. er NOK 741 121 og årets avskrivning er NOK 1 033 395.

/ In the balance sheet financial leasing is classified as assets with corresponding liabilities.
Book value as of 31.12. is NOK 741 121, and the depreciation for the year is NOK 1 033 395.

Note 4 Skatt / Taxes

	2018	2017
Årets skattekostnad fremkommer slik:/Taxes are calculated as follows:		
Betalbar skatt på årets resultat/ Tax payable	0	0
Brutto endring utsatt skatt / skattefordel /Change in deferred taxes	2 018 437	-2 297 058
Virkning av endring i skatteregler / Effect of changes in tax regulations	-1 081 905	-994 146
Årets totale skattekostnad ordinært resultat/ This year's taxes	936 532	-3 291 204
Betalbar skatt i årets skattekostnad fremkommer slik: / Tax payable is calculated as follows:		
Ordinært resultat før skattekostnad/ Result before tax	8 601 821	-9 439 135
Permanente forskjeller / Non deductable costs	191 012	112 319
Permanente forskjeller / Non taxable income (incl. Skattefunn)	-17 020	-244 260
Anvendelse framførbart underskudd / (utilize)/increase tax loss carry-forward	51 934 584	10 985 437
Endring midlertidige forskjeller /Changes in temporary differences	-60 710 399	-1 414 361
Grunnlag betalbar selskapsskatt / Basis for calculating tax payable	0	0
Avgitt konsernbidrag / Group contribution	0	0
Grunnlag betalbar skatt etter konsernbidrag / Basis for tax payable after group contribution	0	0
Betalbar skatt i balansen fremkommer slik: / Taxes payable in the balance sheet consist of the following:		
Betalbar skatt på årets resultat etter konsernbidrag/Taxes payable on this years result after group contribution	0	0
Betalbar skatt i balansen / Total tax payable	0	0
Forskjeller som utlignes: /Temporary differences		
Anleggsmidler / Fixed assets	199 745 812	137 407 538
Varelager / Inventory	-8 425 000	-8 075 000
Avsetning for forpliktelser / Provisions for liabilities	-11 627 875	-10 350 000
Fordringer / Receivables	-300 000	-300 000
Sum / Total	179 392 937	118 682 538
Fremførbart underskudd / Taxable loss - carryforward	-71 202 497	-19 267 913
Grunnlag for beregning av utsatt skatt / utsatt skattefordel / basis for deferrd tax	108 190 440	99 414 625
Utsatt skatt (22 %/ 23%) / Deferred tax (22 %/ 23 %)	23 801 897	22 865 364

Note 5 Egenkapital / Equity

	Aksjekapital/ Share capital	Overkurs Premium reserve	Annen EK/ Other Equity	Sum/ Total equity
Egenkapital 01.01./ Equity 01.01	2 500 000	85 683 690	122 578 782	210 762 472
Avgitt konsernbidrag / Group contribution	0	0	0	0
Årsresultat / This year's result	0	0	7 665 288	7 665 288
Egenkapital 31.12./ Equity 31.12.	2 500 000	85 683 690	130 244 070	218 427 760

Note 6 Aksjekapital og aksjonærinformasjon /Share capital and shareholder information

Aksjekapitalen i Modex AS pr. 31.12. består av 25 000 aksjer a kr 100: / The share capital consist of 25 000 shares each with a nominell value of NOK 100.

	Antall/ Number	Pålydende/ Nominell value	Balanseført/ Book value
Aksjer / Shares	25 000	100	2 500 000

Eierstruktur: / Shareholders:	Aksjer/ Shares	Eierandel/ Ownership	Stemmeandel/ Equity intrest
Euro Offshore Holding AS	25 000	100 %	100 %

Selskapets regnskap er konsolidert i Euro Offshore Holding AS sitt konsernregnskap som kan fås utlevert ved henvendelse til selskapets forretningsadresse på Bryne. / The accounts are consolidated in the Consolidated Financial Statements of Euro Offshore Holding AS. Consolidated Financial Statements are available in the office in Bryne.

Note 7 Bundne midler / Tax deposits

I posten inngår bundne bankinnskudd bestemt for skattetrekk med kr 1 917 522. /
Cash and cash deposits include restricted bank balances of NOK 1 917 522 relating to withheld employee salary taxes.

Note 8 Gjeld til kreditinstitusjoner, pantstillelser og garantiansvar / Debt to financial institutions, mortgages and guarantees

	2018	2017
Balanseført gjeld som er sikret ved pant ol.		
/ Balance sheet liabilities secured by mortgage		
Gjeld til kredittinstitusjoner / Liabilities to financial institutions	413 740 346	294 703 713
Sum / Total	**413 740 346**	**294 703 713**

Lånefasiliteten til Modex AS er en del av lånerammeavtale i morselskapet Modex Holding Limited ("konsernet") som er til felles bruk for selskapet og de tilknyttede selskapene. Gjelden ble refinansiert med bankene den 27. juli 2018 (effektiv dato).

Basert på fornyet lånefasilitetsavtale nevnt ovenfor, har terminlånene en samlet rente på gjeldende margin fra 3.00% til 4.00% per år basert på forholdet mellom netto gjeld og resultatet før renter, skatt, avskrivninger og nedskrivninger (EBITDA) ved begynnelsen av hver renteperiode, pluss London Interbank Offered Rate (LIBOR) hvis lånet omregnes til amerikansk dollar, pluss Norway Interbank Offered Rate ("NIBOR") hvis lånet omregnes til norske kroner. Den fornyede lånefasilitetsavtalen vil fortsatt vurderes mot oppdaterte finansielle betingelser ved hver kvartalsslutt, med sikkerhet i konsernets anlegg og utstyr samt garantier fra enkelte av de tilknyttede selskapene. Lånet vil bli tilbakebetalt med påfølgende kvartalsvise avdrag fra USD 1.275.000 til USD 1.500.000 fra kvartalet som starter ved effektiv dato samt et endelig enkelt avdrag av gjenstående balanse pr. 27. juli 2021.

Per 31. desember 2018 er ikke selskapet i brudd med de finansielle betingelsene for lånet/

Modex AS has a loan facility that is arranged at parent company level, Modex Holding Limited ("the group"), and is for joint use by the Company and associated companies. The debt was refinanced successfully with the financial institutions on 27 July 2018 (“Effective Date”).

Based on the renewed loan facility agreement above, the term loan bears an aggregate interest of the applicable margin ranging from 3.00% to 4.00% per annum by reference to the ratio of Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) at the beginning of each interest period, plus London Interbank Offered Rate (“LIBOR”) if the loan is denominated in United States Dollar, and Norway Interbank Offered Rate (“NIBOR”) if the loan is denominated in Norwegian Kroner. This renewed loan facility will continue to be subject to certain revised financial covenants at the end of each fiscal quarter end, secured by legal mortgages over the Group's plant and equipment and corporate guarantees by certain related companies, and will be repayable by consecutive quarterly instalments ranging from USD 1.275.000 to USD 1.500.000 with the quarter commencing on the Effective Date and a final single instalment of the remaining balance on 27 July 2021.

At 31. December 2018, there is no breach of any covenants on the loan.

Note 9 Varer / Inventories

Varelager består i hovedsak av ferdig innkjøpte varer. Varelageret er verdsatt til det laveste av virkelig verdi og anskaffelseskostnad. Beholdningsendring inkluderes i varekostnad.
/ Inventories consist primarily of purchased goods. Inventory is valued at the lower of fair value and cost. Change in inventories is included in cost of goods sold.

Modex AS

Noter til regnskapet for 2018 / Notes to financial statement for 2018

Note 10 Finansiell markedsrisiko / Financial market risk

Selskapet er eksponert for valutasvingninger ved kjøp og salg til utlandet. Transaksjoner føres til dagskurs og valutagevinst og tap føres ved betaling. / The company is exposed to currency fluctuations by purchase and sale to other countries. Transactions are recorded at actual spot rate and foreign exchange gains and losses are recorded on date of payment.

Note 11 Driftsinntekter / Revenues

	2018	2017
Utleie av utstyr og containere / Rental revenues	173 501 963	159 941 804
Salg av handelsvarer / Sales revenues	17 808 006	20 377 218
Salg av containere / Sales revenues	9 628 458	18 459 789
Annen driftsinntekt / Other operating income	12 605 512	2 703 895
Sum / Total	**213 543 939**	**201 482 706**

Det vesentligste av driftsinntektene er i Norge. / Most of the revenues are in Norway.

Note 12 - Transaksjoner med nærstående parter / Transactions with related parties

Selskapet har foretatt transaksjoner med noen av sine nærstående parter. Nærstående parter består av morselskap, søsterselskap og andre selskaper i Modex konsernet. Selskapet mener at alle transaksjoner er foretatt som del av den ordinære virksomheten og til armlengdes priser.

/ The company have made transactions with related parties. Related parties consist of parent company, associated companies and ultimate parent company. All transactions are carried out as a part of the ordinary operations and at arms`s length prices.

Resultatmessige transaksjoner med nærstående parter/ Related party transactions, profit and loss :

Transaksjon /Transaction	Tilhører resultatlinje / Belongs to P&L line	Forhold til motparten / 'Relationship to the counterpart	2018
Kjøp / Purchase	Varekostnad / Material cost	Søster / Associated company	322 652 906
Kjøp / Purchase	Administrasjonskostnader / Management fee	Søster / Associated company	4 882 937
Salg / Sale	Salgsinntekt / Sales revenue	Søster / Associated company	348 552
Renter / Interest	Renteinntekt fra foretak i samme konsern / Interest income from group companies	Mor / Parent company	7 623 912
Renter / Interest	Renteinntekt fra foretak i samme konsern / Interest income from group companies	Søster / Associated company	1 796 849
Sum netto			**-317 766 530**

Mellomværende med nærstående parter / Related party balance items:

	Kundefordringer / Accounts receivables		Langsiktig fordringer / Long-term receivables	
Motpart / Counterpart	**2018**	**2017**	**2018**	**2017**
Søsterselskap / Associated company	1 874 282	1 899 280	8 617 800	79 103 062
Mor / Parent company	-	-	182 941 685	175 317 773
Sum	**1 874 282**	**1 899 280**	**191 559 484**	**254 420 835**

	Leverandørgjeld / Accounts payable		Annen kortsiktig gjeld / Other current liabilities	
Motpart / Counterpart	**2018**	**2017**	**2018**	**2017**
Søsterselskap / Associated company	762 172	-	129 216 111	21 758 130
Andre nærstående parter /Other related party - Bluedex Ltd.	-	-	-	5 975 380
Sum	**762 172**	**-**	**129 216 111**	**27 733 510**

Note 13 - Gjeld til tidligere aksjonærer / Liabilities to previous shareholders

Selskapet har lån til tidligere aksjonærer og nye låneavtaler ble formalisert i april 2016. Lånene bærer en rente på 5% på det utestående lånebeløpet og akkumulert rente. Lånene vil tilbakebetales når eksisterende banklån er tilbakebetalt.

The Company has loans to former shareholders for which new loan agreements were formalized in April 2016. The loans bear an interest rate of 5% per annum on the outstanding loan amount and compounding interest. The loan will be repaid only when the existing bank loan has been repaid.

Note 14 - Betinget gjeld / Contingent liability

I 2016 brukte Modex AS to kjettinger som ble ødelagt, dette har medført mye ekstra kostnader og ressursbruk i etterkant. Som et resultat av funnene fra undersøkelsene og inspeksjonene, konkluderte Modex AS å gradvis slutte å bruke ‘Grade 10’ kjettinger og erstattet disse med ‘Grade 8’ kjettinger. Modex AS holdt leverandøren ansvarlig for alle kostnadene selskapet pådro seg i forbindelse med at kjettingene sviktet, og gikk til søksmål mot leverandøren for å få erstattet disse kostnadene. I 2018 inngikk Modex AS og leverandøren et forlik vedrørende kravene fra Modex AS. Forliket innebærer et engangsbeløp tilsvarende kostnadene for de ødelagte kjettingene som skal erstattes av leverandøren til Modex AS. Betalingen ble mottatt i sin helhet i august 2018 og inntekten er inkludert i annen driftsinntekt. Modex AS har pr. 31.12.2018 bokført en forpliktelse på kr 11 627 875, presentert i annen kortsiktig gjeld. Fordring og inntekt tilknyttet forliket med leverandøren er bokført i 2018.

/ In 2016, Modex AS experienced two broken sling incidents, which have resulted in a lot of extra cost and use of resources. As a result of the extraordinary inspection and investigation reports, Modex AS concluded to gradually stop using Grade 10 lifting chains and replacing these with Grade 8 chains. Modex AS held the chain sling supplier liable for all cost the company has incurred in connection with these sling failures and have built a lawsuit against the supplier to recover these costs. In 2018, Modex AS and the supplier came to a settlement in regards to the claims made by Modex AS and the settlement comprised of a single and final payment equivalent to the broken sling costs to be replaced by the supplier to Modex AS. The payment was received in full in august 2018 and related income has been included in "other operating income" in 2018. Modex AS has per 31.12.2018 recognized a liability of NOK 11 627 875, presented in other current liabilities as the replacement of slings is still ongoing.

Deloitte.

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Til generalforsamlingen i Modex AS

UAVHENGIG REVISORS BERETNING

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Modex AS' årsregnskap som viser et overskudd på kr 7 665 288. Årsregnskapet består av balanse per 31. desember 2018, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noteopplysninger til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med dem som har overordnet ansvar for styring og kontroll blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om andre lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til resultatdisponering er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Stavanger, 16. mai 2019
Deloitte AS

Arnstein Antonsen

Arnstein Antonsen
statsautorisert revisor

APPENDIX 2A

THE INTERMEDIATE PARENT'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR OF 2020

MODEX HOLDING LIMITED

DIRECTORS' STATEMENT AND
CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

MODEX HOLDING LIMITED

DIRECTORS' STATEMENT AND CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

MODEX HOLDING LIMITED

DIRECTORS' STATEMENT

In the opinion of the directors, the consolidated financial statements of the Group as set out on pages 5 to 48 are drawn up so as to present fairly, in all material aspects, the financial position of the Group as at 31 December 2020, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....
Paal Wilsgaard

....
Eric Marius Snellen

Date: April 30, 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MODEX HOLDING LIMITED

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Modex Holding Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 48.

In our opinion, the consolidated financial statements of the Group present fairly, in all material aspects, the consolidated financial position of the Group as at 31 December 2020 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended in accordance with the International Financial Reporting Standards in Singapore ("IFRSs").

Basis of 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 company 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.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared solely for the information of the shareholders. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company and should not be used by parties other than the Company.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement set out on page 1, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MODEX HOLDING LIMITED

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

- 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MODEX HOLDING LIMITED

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

- 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.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

30 April 2021

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
		US$	US$
Revenue	7	38,519,917	43,995,415
Direct cost		(13,166,359)	(16,749,255)
Interest income		193,936	64,534
Other operating income	8	1,791,444	203,828
Amortisation of intangibles assets		(116,256)	(6,976,313)
Depreciation for property, plant and equipment		(10,004,410)	(10,725,393)
Depreciation for right-of-use assets		(1,883,595)	(1,789,898)
Employee benefits expense		(7,711,343)	(8,796,178)
Expenses relating to short-term leases		(109,042)	(124,733)
Leases of low value assets		(1,419)	(1,244)
Finance costs	9	(4,497,289)	(5,513,755)
Loss allowance on trade receivables		(422,145)	(344,791)
Other operating expenses		(2,300,785)	(3,520,036)
Profit (Loss) before taxation		292,654	(10,277,819)
Income tax credit	10	(99,465)	1,547,151
Profit (Loss) for the year		193,189	(8,730,668)
Other comprehensive income (loss):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		250,293	(475,401)
Total comprehensive income (loss) for the year		443,482	(9,206,069)
Profit (Loss) for the year attributable to:			
- Owners of the Company		193,189	(8,730,668)
- Non-controlling interests		-	-
		193,189	(8,730,668)
Total comprehensive income (loss) for the year attributable to:			
- Owners of the Company		443,482	(9,206,069)
- Non-controlling interests		-	-
		443,482	(9,206,069)

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2020

	Note	2020	2019
		US$	US$
Non-current assets			
Property, plant and equipment	11	94,795,757	104,320,632
Goodwill	12	40,635,747	39,907,030
Intangible assets	13	-	117,276
Right-of-use assets	15	3,981,402	5,288,286
Finance lease receivables	16	2,488,546	1,540,218
		141,901,452	151,173,442
Current assets			
Finance lease receivables	16	750,563	406,381
Inventories	17	1,892,656	2,071,320
Trade and other receivables	18	8,114,853	12,233,207
Deposits and prepayments	19	2,153,617	2,893,140
Bank balances and cash	20	3,545,900	3,822,242
Income tax recoverable		-	30,678
		16,457,589	21,456,968
Current liabilities			
Trade payables	21	9,933,950	14,761,336
Other payables and accruals	22	1,975,965	2,474,422
Loans	23	61,480,758	6,000,000
Lease liabilities	24	1,788,943	1,727,279
		75,179,616	24,963,037
Net current liabilities		(58,722,027)	(3,506,069)
Non-current liabilities			
Other payables	22	3,015,235	5,229,348
Loans	23	-	61,418,168
Lease liabilities	24	2,387,746	3,693,102
Shareholders’ loan	25	10,000,000	10,000,000
Deferred tax	26	5,230,094	5,223,887
		20,633,075	85,564,505
Net assets		62,546,350	62,102,868
Capital and reserves			
Share capital	27	129,819,484	129,819,484
Reserves		(67,273,134)	(67,716,616)
Total equity		62,546,350	62,102,868

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2020

	Share capital	Capital reserve	Merger reserve	Translation reserve	Accumulated losses	Sub total	Equity attributable to the owner of the company total	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
At 1 January 2019	126,205,734	5,355,161	(5,432,810)	(22,348,612)	(36,196,886)	(58,623,147)	67,582,587	162,600	67,745,187
Loss for the year	-	-	-	-	(8,730,668)	(8,730,668)	(8,730,668)	-	(8,730,668)
Exchange differences on translation of foreign operations	-	-	-	(475,401)	-	(475,401)	(475,401)	-	(475,401)
Total comprehensive (loss) for the year	-	-	-	(475,401)	(8,730,668)	(9,206,069)	(9,206,069)	-	(9,206,069)
Transaction with owners, recognised directly in equity:									
Issue of share capital (Note 27)	3,613,750	-	-	-	-	-	3,613,750	-	3,613,750
Acquisition of non-controlling interests of a subsidiary (Note 28)	-	112,600	-	-	-	112,600	112,600	(162,600)	(50,000)
At 31 December 2019	129,819,484	5,467,761	(5,432,810)	(22,824,013)	(44,927,554)	(67,716,616)	62,102,868	-	62,102,868

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)
31 DECEMBER 2020

	Share capital	Capital reserve	Merger reserve	Translation reserve	Accumulated losses	Sub total	Equity attributable to the owner of the company total	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
At 1 January 2020	129,819,484	5,467,761	(5,432,810)	(22,824,013)	(44,927,554)	(67,716,616)	62,102,868	-	62,102,868
Profit for the year	-	-	-	-	193,189	193,189	193,189	-	193,189
Exchange differences on translation of foreign operations	-	-	-	250,293	-	250,293	250,293	-	250,293
Total comprehensive income for the year	-	-	-	250,293	193,189	443,482	443,482	-	443,482
At 31 December 2020	129,819,484	5,467,761	(5,432,810)	(22,573,720)	(44,734,365)	(67,273,134)	62,546,350	-	62,546,350

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
31 DECEMBER 2020

	Note	2020	2019
		US$	US$
OPERATING ACTIVITIES			
Profit (Loss) before taxation		292,654	(10,277,819)
Adjustments for:			
Interest income		(193,936)	(64,534)
Interest expense		4,497,289	5,513,755
Net (gain) loss on disposal of property, plant and equipment		(1,061,197)	484,185
Depreciation of property, plant and equipment		10,004,410	10,725,393
Depreciation of right-of-use assets		1,883,595	1,789,898
Amortisation of intangible assets		116,256	6,976,313
Foreign exchange (gain) loss		(845,485)	413,650
Reversal of loss allowance on trade receivables		-	(355,209)
Loss allowance on trade receivables		422,145	10,418
Operating cash flows before movements in working capital		15,115,731	15,216,050
Decrease (Increase) in inventories		178,664	(60,499)
Decrease (Increase) in trade and other receivables		3,606,820	(351,011)
Decrease (Increase) in deposits and prepayments		553,013	(932,673)
(Decrease) Increase in trade payables		(5,715,215)	2,516,130
Decrease in other payables and accruals		(1,372,347)	(1,556,347)
Cash generated from operations		12,366,666	14,831,650
Income tax paid		(213,357)	(173,489)
NET CASH FROM OPERATING ACTIVITIES		12,153,309	14,658,161
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,230,640)	(6,860,154)
Proceeds from disposal of property, plant and equipment		1,731,301	895,796
Proceeds from collection of finance lease receivables		464,381	97,771
Acquisition of non-controlling interests in a subsidiary		-	(50,000)
Interest received		193,936	64,534
NET CASH USED IN INVESTING ACTIVITIES		(841,022)	(5,852,053)

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
31 DECEMBER 2020

	Note	2020	2019
		US$	US$
FINANCING ACTIVITIES			
Repayments of lease liabilities		(2,052,352)	(1,940,419)
Repayment of bank borrowings		(6,729,038)	(5,757,071)
Proceeds on issue of shares		-	3,613,750
(Increase) Decrease in restricted cash at bank		(20,224)	6,733
Interest paid		(3,161,267)	(4,231,375)
NET CASH USED IN FINANCING ACTIVITIES		(11,962,881)	(8,308,382)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(650,594)	497,726
EFFECT OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS		354,028	452,951
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,608,278	2,657,601
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	3,311,712	3,608,278

See accompanying notes to financial statements.

1. GENERAL

The Company is a limited company incorporated in British Virgin Islands with its registered office at Commerce House, Wickhams Cay 1, P.O.Box 3140, Road Town, Tortola, British Virgin Islands VG1110.

The Company's principal activity is investment holding. The principal activities of its subsidiaries are set out in Note 14 to the financial statements.

In 2015, the Company was established to hold 100% equity interest in Modex Asia Ltd. and its subsidiaries for a consideration of US$15,341,272 which was satisfied by issuing 12,000 new ordinary shares to the holding company. The restructuring exercise was considered to be a business combination involving entities under common control and was accounted for by applying the pooling of interest method. Accordingly, the assets and liabilities of these entities transferred had been included in the Group's financial statements at their carrying amounts.

The consolidated financial statements are presented in United States Dollars ("US$"), which is also the functional currency of the Company.

For all periods up to and including the year ended 31 December 2019, the Group prepared its consolidated financial statements in accordance with Singapore Financial Reporting Standards ("SFRS"). These consolidated financial statements for the year ended 31 December 2020 are the first set being prepared in accordance with International Financial Reporting Standard ("IFRS"). Details of first-time adoption of IFRS are included in Note 2.

The Group reported a consolidated profit (loss) for the year of US$193,189 for the year ended 31 December 2020 and as at the end of the reporting period, the Group's total current liabilities exceeded its total current assets by US$58,722,027. Subsequent to the end of the reporting period, the subsidiary has obtained an undertaking from related parties not to recall or demand repayment of amounts payable due by the subsidiary amounting to US$6,263,089, included in trade payables, within one year from the date of these financial statements. Furthermore, subsequent to the year-end the Group has entered into an arrangement to issue Bonds, the proceeds of which have been utilised to settle the bank loan outstanding amounting to US$61,480,758. There are no principal payments required under the Bonds agreement for a period of 5 years.

Based on the above, the directors believe that the Group will have adequate resources to repay its debts as and when they fall due.

The consolidated financial statements of the Group for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 30 April 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the IFRS.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IFRS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK – The Group adopted the new financial reporting framework - International Financial Reporting Standards (“IFRS”) for the first time for financial year ended 31 December 2020 and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied in this first set of IFRS financial statements.

As a first-time adopter, the Group are to apply retrospectively, accounting policies based on each IFRS effective as at end of the first IFRS reporting period (31 December 2020), except for areas of exceptions and optional exemptions set out in IFRS 1.

There is no change to the Group’s previous accounting policies under SFRS or material adjustments on the initial transition to the new framework.

ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2020, the Group has adopted all the new and revised IFRSs and IFRIC Interpretations (“IFRICs”) that are effective from that date and are relevant to its operations. The adoption of these new/revised IFRSs does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised IFRSs and amendments to FRS that are relevant to the Group were issued but not yet effective:

Effective for annual periods beginning on or after January 1, 2021:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

- Amendment to IFRS 3: Reference to Conceptual Framework

- Annual Improvements to IFRSs 2018-2020 Cycle

Management anticipates that the adoption of the above IFRS and amendments to IFRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the IFRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non- current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

BUSINESS COMBINATIONS OF ENTITIES UNDER COMMON CONTROL - Business combination involving entities under common control is accounted for by applying the pooling of interest method. Accordingly, the assets and liabilities of these entities transferred have been included in the Group's financial statements at their carrying amounts. The Group's financial statements present the financial position, results of operations, changes in equity and cash flows as if the businesses had always been combined since the beginning of the earliest period. The difference between the consideration for the acquisition and the value of net assets acquired is included in merger reserve as a separate component within equity.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Classification of financial assets

Debt instruments mainly comprise cash and bank balances and trade and other receivables that meet the following conditions and are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Forward looking information considered includes the future prospects of the industries or countries in which the company's debtors operate in, as well as consideration of various external sources of actual and forecast economic information available that relate to the company's operations, and the company accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

<u>Classification as debt or equity</u>

Debt and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

<u>Other financial liabilities</u>

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Interest bearing bank loans and loan from related parties are initially measured at fair value, and are subsequently at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group’s accounting policy for borrowing cost.

<u>Derecognition of financial liabilities</u>

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expire.

LEASES

The Group as lessor

The Group rents its property, plant and equipment to intercompany and third parties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IFRS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.
The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘Other operating expenses’ in the consolidated statement of profit or loss and other comprehensive income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	5 years or over the terms of the relevant leases, if shorter
Furniture, fixtures and equipment	3 to 5 years
Containers	12 to 25 years
Motor vehicles	4 to 8 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of the property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

INTANGIBLE ASSETS - Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - The Group recognises revenue from sale of containers and rental of the containers . Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to the customer.

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATIONS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group’s obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (and tax bases) that have been enacted or substantively enacted in countries where the Company and the subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised to profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in United States dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve (attributed to non-controlling interest, as appropriate).

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below:

Impairment assessment of property, plant and equipment

At the end of each reporting period, management assesses the carrying amount of the Group's property, plant and equipment to determine whether there are any indications of impairment for which an allowance is required. Management determines the recoverable value of the property, plant and equipment based on the calculated value-in-use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using a pre-tax rate that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years or over the useful life of the property, plant and equipment where appropriate based on an estimated growth rate of 3% to 15% (2019 : 3% to 13%).

The average rate used to discount the forecast cash flows from the Group is 9.10% (2019 : 9.87%).

The carrying amount of the Group's property, plant and equipment is disclosed in Note 11 to the financial statements.

Useful lives of property, plant and equipment

In applying the accounting policy for property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. The carrying amount of property, plant and equipment is disclosed in Note 11 to the financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit ("CGU") and a suitable discount rate in order to calculate the present value. As at 31 December 2020, the carrying amount of the Group's goodwill amounted to US$40,635,747 (2019 : US$39,907,030). Further details are disclosed in Note 12 to the financial statements.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amount of the Group’s trade and other receivables as at the end of the reporting period are disclosed in Note 18 to the financial statements.

Taxes

The Group has exposure to income taxes in various jurisdictions due to the wide range of international business relationships. Significant judgement is involved in determining the group-wide provision for income taxes and recoverability of certain tax from the tax authorities. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Further details on taxes are disclosed in Note 10 to the consolidated financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2020	2019
	US$	US$
Financial assets		
Amortised cost	15,017,251	18,442,841
Financial liabilities		
Amortised cost	90,582,597	105,303,656

(b) Financial risk management policies and objectives

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include foreign exchange risk, interest rate risk, liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk management

Several subsidiaries of the Company have foreign currency sales/purchases denominated in currencies other than the entity's functional currency, which expose the Group to foreign currency risk. The Group's trade receivable and trade payable balances as at the end of the reporting period also had foreign currency exposures. However, the management monitors foreign currency exposure and will consider necessary actions when significant foreign currency exposure is anticipated. The management considers that foreign currency exposure on trade receivable and trade payable balances is insignificant. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly in Singapore Dollar ("SGD"), Norwegian Krone (“NOK”), Australian dollar (“AUD”), United Arab Emirates (“AED”) and Brazilian Real (“BRL”). The Group has short-term bank borrowings denominated in United States dollar. Accordingly, no sensitivity analysis has been disclosed.

The Company has a number of investments in foreign subsidiaries, particularly the subsidiary in Norway whose net assets are exposed to currency translation risk from NOK to US$.

If the Norwegian Krone had been 5% higher or lower and all other variables were held constant, the Group’s net assets would increase/decrease by US$1,975,505 (2019 : US$1,872,081).

(ii) Interest rate risk management

The Group's cash flow interest rate risk primarily relates to bank balances. The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated. The management considers that interest rate risk on bank balances is insignificant.

Interest rates for the loans from former shareholders and related parties and shareholders’ loan are fixed at the date of inception.

The Group's variable rate bank loan is exposed to a risk of change in cash flows due to changes in interest rates.

The Group adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance and/or refinance its working capital requirement.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the financial period would increase/decrease by US$307,404 (2019 : US$337,091). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loan.

(iii) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and bank loan.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of the bank loan and compliance with loan covenants.

In 2020, all financial liabilities of the Group, based on the agreed repayment terms, are due within one year from the end of the reporting period, except for the amount due to a third party, non-current lease liabilities, and shareholders' loan as disclosed in Notes 22, 24 and 25, respectively to the financial statements.

As at 31 December 2020, the Group's current liabilities exceeded its current assets by US$58,722,027 (2019 : US$3,506,069). Subsequent to the end of the reporting period, the subsidiary has obtained an undertaking from related parties not to recall or demand repayment of amounts payable due by the subsidiary amounting to US$6,263,089 (2019 : US$7,242,712), included in trade payables, within one year from the date of these financial statements. Furthermore, subsequent to the year-end the Group has entered into an arrangement to issue Bonds, the proceeds of which have been utilised to settle the bank loan outstanding amounting to US$61,480,758. There are no principal payments required under the Bonds agreement for a period of 5 years.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the consolidated statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US$	US$	US$	US$	US$
Group						
2020						
Non-interest bearing	-	11,891,855	-	-	-	11,891,855
Lease liabilities (fixed)	4.53 – 6.05	1,942,406	2,513,451	-	(279,168)	4,176,689
Shareholders' loan (fixed)	7.00	10,700,000	-	-	(700,000)	10,000,000
Unsecured loan (fixed)	5.00	3,184,960	-	-	(151,665)	3,033,295
Bank borrowing (variable)	3.25 – 4.00	63,436,431	-	-	(1,955,673)	61,480,758
		91,155,652	2,513,451	-	(3,086,506)	90,582,597
2019						
Non-interest bearing	-	17,192,081	-	-	-	17,192,081
Lease liabilities (fixed)	4.53 – 6.05	1,936,614	3,932,529	-	(448,762)	5,420,381
Shareholders' loan (fixed)	7.00	10,700,000	-	-	(700,000)	10,000,000
Unsecured loan (fixed)	5.00	2,966,165	-	-	(141,246)	2,824,919
Non-current other payables (fixed)	10.00	-	2,692,918	-	(244,811)	2,448,107
Bank borrowing (variable)	3.25	9,463,587	63,448,215	-	(5,493,634)	67,418,168
		42,258,447	70,073,662	-	(7,028,453)	105,303,656

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial assets on the statements of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US$	US$	US$	US$	US$
Group						
2020						
Non-interest bearing	-	11,778,142	-	-	-	11,778,142
Finance lease receivables	6	898,616	2,681,770	-	(341,277)	3,239,109
		12,676,758	2,681,770	-	(341,277)	15,017,251
2019						
Non-interest bearing	-	16,496,242	-	-	-	16,496,242
Finance lease receivables	6	509,566	1,698,553	-	(261,520)	1,946,599
		17,005,808	1,698,553	-	(261,520)	18,442,841

(iv) Credit risk management

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
2020						
Trade receivables	18	(i)	Lifetime ECL (simplified approach)	7,819,591	(92,446)	7,727,145
Other receivables	18	Performing	12-month ECL	387,708	-	387,708
Finance lease receivable	16	Performing	12-month ECL	3,239,109	-	3,239,109
					(92,446)	
2019						
Trade receivables	18	(i)	Lifetime ECL (simplified approach)	13,455,371	(1,447,748)	12,007,623
Other receivables	18	Performing	12-month ECL	225,584	-	225,584
Finance lease receivable	16	Performing	12-month ECL	1,946,599	-	1,946,599
					(1,447,748)	

(i) The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties. Cash is held with creditworthy institutions and is subject to immaterial credit loss.

The Group's credit risk is concentrated with 3 customers (2019 : 3 customers), which account for 31% (2019 : 22%) of the total trade receivables balance.

Further details of credit risks on trade and other receivables are disclosed in Note 18.

(v) Fair value of financial assets and financial liabilities

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, bank loan and shareholders' loan approximate their respective fair values due to the relatively short-term maturity of these financial instruments, except for non-current other payables and shareholders' loan. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

(vi) Capital management policies and objectives

The Group reviews its capital structure at least annually to ensure that the Group will be able to continue as a going concern. The capital structure of the Group comprises only bank loan, shareholders' loan, issued capital and capital reserve as disclosed in Notes 23, 25, 27 and 28 respectively. The Group's overall strategy remains unchanged from prior year.

5 RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of Modex Holding Limited's group of companies.

Many of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transaction between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in these financial statements.

6 OTHER RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel during the year are as follows:

	The Group	
	2020	2019
	US$	US$
Director fees	234,247	176,101
Salaries and short term benefit	382,078	518,633
Total	616,325	694,734

7 REVENUE

Revenue represents the invoiced value of goods sold and rental income received and receivable by the Group during the year:

	The Group	
	2020	2019
	US$	US$
Sale of containers	6,829,450	11,665,138
Rental income	31,690,467	32,330,277
	38,519,917	43,995,415

A disaggregation of the Group's revenue for the year is as follows:

	The Group	
	2020	2019
	US$	US$
Over time		
Rental income	31,690,467	32,330,277
At a point in time		
Sale of containers	6,829,450	11,665,138

8 OTHER OPERATING INCOME

	The Group	
	2020	2019
	US$	US$
Yard rental income	191,981	185,556
Net gain on disposal of plant & equipment (Note A)	1,061,197	1,577
Waiver of liability (interest payable) (Note 22)	408,700	-
Government grant income	127,504	-
Others	2,062	16,695
	1,791,444	203,828

Note A

Management assessed the amounts waived under the Deed of Waiver and loss on disposal of the certain containers as a linked transaction. Therefore, a net gain of US$1,061,197 has been recorded as follows:

	2020
	US$
Loss on disposal of containers (Note 11)	(1,386,910)
Waiver of Second Purchase Price (Note 22)	2,448,107
Net gain on disposal of plant & equipment	1,061,197

9 FINANCE COSTS

	The Group	
	2020	2019
	US$	US$
Interest on bank loans (Note 23)	3,299,215	4,002,322
Interest on lease liabilities (Note 24)	228,138	282,616
Interest on shareholder’s loan (Note 25)	837,067	1,086,568
Interest on former shareholder’s loan	131,531	134,384
Others	1,338	7,865
	4,497,289	5,513,755

10 INCOME TAX CREDIT

	The Group	
	2020	2019
	US$	US$
Current tax:		
- Current year	63,806	-
Deferred tax:		
- Current year (Note 26)	(144,570)	(1,763,548)
Withholding tax	180,229	216,397
	99,465	(1,547,151)

The Company operates in British Virgin Islands for which its profits are not subject to tax. Taxation for other jurisdictions is calculated at the rates ranging from 10% to 30% (2019 : 10% to 30%) prevailing in the relevant jurisdictions.

Tax charge (credit) for the year can be reconciled to the profit (loss) before taxation as follows:

	The Group	
	2020	2019
	US$	US$
Profit (Loss) before taxation	292,654	(10,277,819)
Tax expense (benefit) at statutory tax rates in respective jurisdiction	62,115	(1,645,396)
Tax effect of expenses that are not deductible for tax purposes	6,016	76,757
Tax effect of income that is not taxable for tax purposes	(124,124)	(889,777)
Tax effect of utilization of deferred tax benefits not previously recognised	(113,106)	-
Tax effect of deferred tax benefits not recognised	88,335	694,868
Withholding tax	180,229	216,397
Tax expense (credit) for the year	99,465	(1,547,151)

As at the end of the reporting period, the Group has the following unutilised tax losses carried forward available for offsetting against future taxable income:

The Group	Unutilised tax losses
	US$
At 1 January 2019	8,840,288
Adjustments	(3,226,019)
Arising during the year	1,647,916
At 31 December 2019	7,262,185
Adjustments	(792,922)
Utilised during the year	(586,601)
Arising during the year	295,681
At 31 December 2020	6,178,343
Deferred tax benefit on above not recorded as at 31 December 2020	1,740,239
Deferred tax benefit on above not recorded as at 31 December 2019	1,943,740

Deferred tax assets had not been recognised in respect of the above unutilised tax losses due to uncertainties in the future profit streams and is also subject to the approval of the relevant tax authorities.

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Containers	Motor veh
	US$	US$	US$	US$
Cost:				
At 1 January 2019	425,466	2,195,752	153,366,110	104,
Additions	11,804	115,374	5,944,541	3,
Disposals	(7,605)	(61,551)	(6,591,183)	(106,
Reclassification	-	-	177,807	
Exchange realignment	(5,354)	(26,356)	(1,700,362)	(1,
At 31 December 2019	424,311	2,223,219	151,196,913	
Additions	65,655	96,241	3,936,217	1,
Disposals	-	(35,630)	(17,355,854)	45,
Reclassification	-	-	320,090	
Exchange realignment	12,456	59,402	2,138,222	(1,
At 31 December 2020	502,422	2,343,232	140,235,588	46,

	Leasehold improvements	Furniture, fixtures and equipment	Containers	Motor vehicle	Assets under construction	Total
	US$	US$	US$	US$	US$	US$
Accumulated depreciation:						
At 1 January 2019	325,142	2,005,011	38,482,331	68,371	-	40,880,855
Provided for the year	47,430	100,453	10,567,146	10,364	-	10,725,393
Eliminated on disposals	(7,605)	(54,281)	(1,094,941)	(103,498)	-	(1,260,325)
Exchange realignment	(4,782)	(25,371)	(488,853)	(1,155)	-	(520,161)
At 31 December 2019	360,185	2,025,812	47,465,683	(25,918)	-	49,825,762
Provided for the year	52,687	80,216	9,866,238	5,269	-	10,004,410
Eliminated on disposals	-	(16,218)	(12,691,994)	37,457	-	(12,670,755)
Exchange realignment	15,217	59,358	1,099,323	(1,080)	-	1,172,818
At 31 December 2020	428,089	2,149,168	45,739,250	15,728	-	48,332,235
Carrying amount:						
At 31 December 2020	74,333	194,064	94,496,338	31,022	-	94,795,757
At 31 December 2019	64,126	197,407	103,731,230	26,724	301,145	104,320,632

The Group’s containers have been pledged to secure a loan as disclosed in Note 23 to the financial statements.

Disposals include containers placed under a finance lease arrangement with a book value of US$3,032,830. Company recorded a finance lease receivable of US$1,645,920 (Note 16) at the inception of lease in the current year resulting in recognition of loss of US$1,386,910 (Note 8).

12 GOODWILL

	The Group	
	2020	2019
	US$	US$
As at 1 January	39,907,030	40,204,969
Exchange realignment	728,717	(297,939)
At 31 December	40,635,747	39,907,030

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	The Group	
	2020	2019
	US$	US$
Modex AS (formerly known as Euro Offshore AS)	24,007,817	23,279,100
Modex LLC (formerly known as Gauthiers' Oilfield Rentals LLC)	16,627,930	16,627,930
	40,635,747	39,907,030

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. No impairment loss has been recognised for the Group based on the above basis.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years based on an estimated growth rate of 3% to 15% (2019 : 3% to 13%).

The average rate used to discount the forecast cash flows from the Group is 8.84% to 9.94% (2019 : 9.60% to 9.87%).

No impairment loss has been recognised for the Group based on the above basis.

The Group prepares cash flow forecasts derived from the most recent financial results and takes into account industry growth forecasts for the next five years. The carrying amount of goodwill as at 31 December 2020 was US$40,635,747 (2019 : US$39,907,030) with no impairment adjustment required for 2020. If the discount rate increases to above 13.3% (2019 : 14.27%) or the average utilisation decreases by more than 10% (2019 : 10%) over the next 5 years, with all other variables remaining constant, the recoverable value will be lower than the carrying value.

13 INTANGIBLE ASSETS

	Customer relationship	Supplier relationships	Brand name	Total
	US$	US$	US$	US$
The Group				
Cost:				
At 1 January 2019	14,370,310	757,356	5,292,133	20,419,799
Exchange realignment	(138,026)	(9,571)	(18,603)	(166,200)
At 31 December 2019	14,232,284	747,785	5,273,530	20,253,599
Exchange realignment	337,592	23,408	45,501	406,501
At 31 December 2020	14,569,876	771,193	5,319,031	20,660,100
Accumulated amortisation:				
At 1 January 2019	10,708,124	732,110	1,875,021	13,315,255
Amortisation charge	3,544,549	25,837	3,405,927	6,976,313
Exchange realignment	(137,665)	(10,162)	(7,418)	(155,245)
At 31 December 2019	14,115,008	747,785	5,273,530	20,136,323
Amortisation charge	116,256	-	-	116,256
Exchange realignment	338,612	23,408	45,501	407,521
At 31 December 2020	14,569,876	771,193	5,319,031	20,660,100
Carrying amount:				
At 31 December 2020	-	-	-	-
At 31 December 2019	117,276	-	-	117,276

Customer relationships are network distributors through which the Group indirectly sells to the end customers by geographical region. The carrying amount of customer relationships at 31 December 2020 is US$ Nil (2019 : US$117,276). The average remaining amortisation period in 2019 was 1 year.

Amortisation period for supplier relationships and brand name is 5 years and 10 to 15 years respectively.

In 2019, the brand name was fully amortised due to the change in name of the Group's subsidiaries as disclosed in Note 14 to the financial statements.

14 INVESTMENT IN SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name	Issued and fully paid-up capital/contributed capital	Portion of nominal value of issued/registered capital held by the Company		Place of registration/ incorporation	Principal activities
		2020	2019		
Held by the Company					
Modex Asia Limited	US$79,949,999	100%	100%	Hong Kong	Investment holding
Held by the Modex Asia Limited					
Modex Australia Pty. Ltd.	AUD$1	100%	100%	Australia	Trading and leasing of containers
Modex Energy Do Brasil Services LTDA	BRL$1,067,243	100%	100%	Brazil	Trading and leasing of containers
Modex Energy Rentals LLC	US$12,565,190.72	100%	100%	Marshall Islands	Leasing of containers
Modex Production Limited (Note B)	HKD$1,000	-	100%	Hong Kong	Investment holding
Modex Singapore Pte. Ltd.	SGD$10,010	100%	100%	Singapore	Trading and repair of oil and gas field equipment
Modex Middle East FZE	-	100%	100%	United Arab Emirates	Leasing of containers
Held by the Modex Production Limited					
Modex Energy Services Limited (Note A)	HKD$1	-	100%	Hong Kong	Trading of containers

Name	Issued and fully paid-up capital/contributed capital	Portion of nominal value of issued/registered capital held by the Company		Place of registration/ incorporation	Principal activities
		2020	2019		
Held by the Company					
Held by Modex Singapore Pte. Ltd.					
Modex AS (formerly known as Euro Offshore AS)	NOK 2,500,000	100%	100%	Norway	Trading and leasing of containers
Euro Offshore Holding	NOK 1,000,000	100%	100%	Norway	Investment holding
Held by Modex Energy Rentals LLC					
Modex Energy Rentals Singapore Pte. Ltd.	SGD$1	100%	100%	Singapore	Ownership and leasing offshore containers
Held by Modex Energy Rentals Singapore Pte. Ltd.					
Modex USA Holding Inc.	US$10	100%	100%	United States of America	Investment holding
Held by Modex USA Holding Inc.					
Modex LLC (formerly known as Gauthiers' Oilfield Rentals LLC)	-	100%	100%	United States of America	Ownership and leasing offshore containers

Note A: On 23 September 2020, Modex Energy Services Limited was dissolved by way of deregistration.

Note B: On 30 October 2020, Modex Production Limited was dissolved by way of deregistration.

15 RIGHT-OF-USE ASSETS

The company leases office space and motor vehicles. The average lease term is ranging from 2 to 7 years.

	The Group		
	Office space	Motor vehicles	Total
	US$	US$	US$
Cost:			
At 1 January 2019, on initial adoption of IFRS 16	3,822,177	27,698	3,849,875
Additions	3,022,635	205,674	3,228,309
At 31 December 2019	6,844,812	233,372	7,078,184
Additions	136,943	353,869	490,812
Written off	(44,184)	-	(44,184)
Exchange realignment	161,419	7,305	168,724
At 31 December 2020	7,098,990	594,546	7,693,536
Accumulated depreciation:			
Depreciation for the year	1,747,492	42,406	1,789,898
At 31 December 2019	1,747,492	42,406	1,789,898
Depreciation for the year	1,749,558	134,037	1,883,595
Written off	(44,184)	-	(44,184)
Exchange realignment	79,606	3,219	82,825
At 31 December 2020	3,532,472	179,662	3,712,134
Carrying amount:			
At 31 December 2020	3,566,518	414,884	3,981,402
At 31 December 2019	5,097,320	190,966	5,288,286

16 FINANCE LEASE RECEIVABLES

	The Group			
	2020		2019	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	US$	US$	US$	US$
Amounts receivables under finance leases:				
Year 1	898,616	750,563	509,566	406,381
Year 2	898,616	791,173	509,566	431,085
Year 3	898,616	834,021	509,566	456,950
Year 4	884,538	863,352	509,566	484,367
Year 5	-	-	169,855	167,816
	3,580,386	3,239,109	2,208,119	1,946,599
Less: Unearned finance income	(341,277)	-	(261,520)	-
Present value of minimum lease payments receivable	3,239,109	3,239,109	1,946,599	1,946,599

	2020	2019
Analysed as:		
Current finance lease receivables	750,563	406,381
Non-current finance lease receivables	2,488,546	1,540,218
	3,239,109	1,946,599

The Group leased certain containers under finance leases. The average lease term was 5 years and the title will be transferred to the leasee at the end of term. The average effective interest rate is 6% and 4.5% respectively. Interest rates for the leases were fixed at the contract date, and thus exposed the company to fair value interest rate risk, which management has assessed the impact to be immaterial.

Management has assessed that the fair value of the finance lease receivables approximate its carrying value as at the end of the reporting period.

17 INVENTORIES

	The Group	
	2020	2019
	US$	US$
Finished goods	1,892,656	2,071,320

The total cost of inventories recognised in profit or loss during the year amounted to US$5,134,466 (2019 : US$8,119,424).

18 TRADE AND OTHER RECEIVABLES

	The Group	
	2020	2019
	US$	US$
Trade receivables - outside parties	7,819,591	13,455,371
Trade receivables – loss allowance	(92,446)	(1,447,748)
	7,727,145	12,007,623
Other receivables - outside parties	387,708	225,584
	8,114,853	12,233,207

The average credit period on sale of goods is 60 days (2019 : 60 days). No interest is charged on the outstanding balance.

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The movements in credit loss allowance are as follows:

	The Group	
	2020	2019
	US$	US$
Balance at beginning of the year	1,447,748	1,793,390
Loss allowance recognised in profit or loss during the year on:		
- Additional allowance during the year	422,145	10,418
- Write-off of debts	(1,778,917)	(355,209)
	(1,356,772)	(344,791)
Exchange difference	1,470	(851)
Balance at end of the year	92,446	1,447,748

19 DEPOSITS AND PREPAYMENTS

	The Group	
	2020	2019
	US$	US$
Deposits	117,389	440,793
Prepayments	2,036,228	2,452,347
	2,153,617	2,893,140

20 BANK BALANCES AND CASH

	The Group	
	2020	2019
	US$	US$
Cash at banks	3,311,712	3,608,278
Restricted cash at bank	234,188	213,964
	3,545,900	3,822,242
Less: Restricted cash at bank	(234,188)	(213,964)
Cash and cash equivalents as presented in consolidated statement of cash flows	3,311,712	3,608,278

Restricted cash at bank is related to salary taxes withheld for the employees in Norway subsidiaries.

21 TRADE PAYABLES

	The Group	
	2020	2019
	US$	US$
Outside parties	9,933,950	14,761,336

The average credit period on purchases of goods is 3 months (2019 : 3 months). No interest is charged on the outstanding balance of trade payables.

22 OTHER PAYABLES AND ACCRUALS

	The Group	
	2020	2019
	US$	US$
Current		
Other payables - outside parties	728,117	581,495
Accruals	1,247,848	1,892,927
	1,975,965	2,474,422
Non-current		
Loans from former shareholders of a subsidiary	3,015,235	2,781,241
Other payables - outside parties	-	2,448,107
	3,015,235	5,229,348

The loans from former shareholders are unsecured, bears fixed interest at 5% and repayable only when the existing bank loans have been repaid.

On 1 June 2016, the Company entered into an Equipment Purchase Agreement with a third party ("Seller") for the purchase of containers, for a consideration of US$3,870,562, which management had assessed it as being the fair value of the containers at the date of the transaction. At the same time, the Company entered into a lease agreement with the Seller to lease back the same equipment for a period of 6 years at a fixed rental amount. Under the terms of the lease agreement, the Company has granted an option to the Seller to acquire the containers at the end of the sixth year for a consideration of US$2,448,107 ("Purchase Option Price").

The consideration for the acquisition of the containers to be satisfied as follows:

(a) US$1,422,455 ("First Purchase Price") paid within 7 days from the date of the Equipment Purchase Agreement;

(b) US$2,448,107 ("Second Purchase Price") payable at the end of sixth year or by way of offset against the Purchase Option Price if the option is exercised by the Seller.

The Second Purchase Price bearing an interest rate of 10% per annum over the term of the lease was waived under the terms of Deed of Waiver entered between the third party and the Company as disclosed below:

Waiver Agreement

On 1st April 2020, a deed of waiver (the "Deed of Waiver") was entered between a third party and the company. Under the arrangement, the lease agreement was terminated and following amounts were waived between the parties and considered settled:

a. Amount payable under Second Purchase Price amounting to US$2,448,107
b. Amount payable under accrued interest on Second Purchase Price amounting to US$408,700
c. Amount receivable under the lease agreement amounting to US$1,798,917 which was written-off against the allowance for doubtful debts (Note 18)

This transaction was entered in connection with a disposal of asset with another third party as disclosed in Note 8 and 11.

23 LOANS

	The Group	
	2020	2019
	US$	US$
Secured		
- carrying amount of bank loans that are repayable more than 2 years, but not exceeding 5 years	-	61,418,168
- carrying amount of bank loans that are repayable within one year from the end of the reporting period	61,480,758	6,000,000
	61,480,758	67,418,168

The bank loans bear interest at 3.25% – 4.00% (2019 : 3.25%) plus London Interbank Offered Rate (LIBOR) or Norway Interbank Offered Rate (NIBOR) per annum, secured by legal mortgages over the group's property, plant and equipment with a carrying value of US$94,496,338 (2019 : US$103,731,230).

The group has complied with all financial covenants as at 31 December 2020.

Based on the renewed loan facility agreement above, the term loan bears an aggregate interest of the applicable margin ranging from 3.00% to 4.00% per annum by reference to the ratio of Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") at the beginning of each interest period, plus London Interbank Offered Rate ("LIBOR") if the loan is denominated in United States Dollar, and Norway Interbank Offered Rate ("NIBOR") if the loan is denominated in Norwegian Kroner. This renewed loan facility will continue to be subject to certain revised financial covenants at the end of each fiscal quarter end, secured by legal mortgages over the group's property, plant and equipment and corporate guarantees by certain related companies. Subsequent to the year end this loan has been settled (Note 27).

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2020	Adoption of IFRS 16	Financing cash flow (1)	New lease liabilities	Other changes (2)	31 December 2020
	US$		US$		US$	US$
Bank loans (Note 23)	67,418,168	-	(9,763,567)	-	3,826,157	61,480,758
Lease liabilities (Note 24)	5,420,381	-	(2,052,352)	490,812	317,848	4,176,689
Shareholders' loan (Note 25)	10,000,000	-	(125,400)	-	125,400	10,000,000
	82,838,549	-	(11,941,319)	490,812	4,269,405	75,657,447

	1 January 2019	Adoption of IFRS 16	Financing cash flow (1)	New lease liabilities	Other changes (2)	31 December 2019
	US$		US$		US$	US$
Bank loans (Note 23)	73,203,548	-	(9,439,490)	-	3,654,110	67,418,168
Lease liabilities (Note 24)	-	3,849,875	(1,940,419)	3,228,309	282,616	5,420,381
Shareholders' loan (Note 25)	10,000,000	-	(548,956)	-	548,956	10,000,000
	83,203,548	3,849,875	(11,928,865)	3,228,309	4,485,682	82,838,549

(1) The cash flows make up the net amount of proceeds from bank loans, repayments of bank loans and lease liabilities in the consolidated statement of cash flows.

(2) Other changes include interest accruals.

24 LEASE LIABILITIES

	The Group	
	2020	2019
	US$	US$
Maturity analysis:		
Year 1	1,901,400	1,936,614
Year 2	1,454,095	1,736,972
Year 3	498,599	1,323,151
Year 4	467,948	429,226
Year 5 and above	37,859	443,180
Exchange realignment	95,956	-
	4,455,857	5,869,143
Less: Unearned interest	(272,922)	(448,762)
Less: Exchange realignment	(6,246)	-
	4,176,689	5,420,381
Analysis as:		
Current	1,788,943	1,727,279
Non-current	2,387,746	3,693,102
	4,176,689	5,420,381

The Group does not face a significant liquidity risk with regard to its lease liabilities. Management has assessed that the fair value of the lease liabilities approximate its carrying value as at the end of the reporting period.

25 SHAREHOLDERS' LOANS

In 2015, the shareholder of the Group granted a loan of US$10,000,000 for a term until the later of (i) 19 November 2017 and (ii) the date on which all outstanding indebtedness under the bank loan agreement have been paid in full (the "Maturity Date") for the purpose of acquisition of 100% business interest and ownership in Gauthier Homes Inc and Gauthiers' Oilfield Rental by Modex Energy Rentals Singapore Pte Ltd, one of the subsidiaries of the Group. Interest is chargeable at 7% per annum compounded annually on the principal and payable monthly by the end of the month. No dividend shall be made by Modex to its shareholders, unless and until all principal, interest, and other outstanding sums of the loan facility has been fully repaid (and in accordance with the provisions of the Facility Agreement).

26 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relate to the same fiscal authority.

The amounts, determined after appropriate offsetting, are shown on the consolidated statement of financial position as follows:

	The Group	
	2020	2019
	US$	US$
As at 1 January	5,223,887	7,065,482
Adjustment	-	73,586
Credit to profit or loss for the year (Note 10)	(144,570)	(1,763,548)
Exchange realignment	150,777	(151,633)
As at 31 December	5,230,094	5,223,887

As at the end of the reporting period, deferred tax liabilities comprised of the temporary taxable differences of US$8,513,733 (2019 : US$8,393,607) arising from accelerated tax depreciation, offset by temporary deductible differences of US$3,283,639 (2019 : US$3,169,720) arising from provisions and unutilised tax losses.

27 SHARE CAPITAL

	2020	2019	2020	2019
	Number of ordinary shares		US$	US$
Issued and paid up:				
At beginning of year	42,961	38,586	129,819,484	126,205,734
Issued for cash	-	4,375	-	3,613,750
At end of year	42,961	42,961	129,819,484	129,819,484

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

28 RESERVES

CAPITAL RESERVES

In 2015, the capital reserve of US$3,000,000 relates to the contingent consideration payable in the acquisition of GOR and GHI upon the acquiree achieving the pre-determined financial performance targets by end of 2015 and 2016. This contingent consideration is to be satisfied by the issuance of shares in Modex Holding Limited. As the pre-determined financial performance targets were not achieved, hence no ordinary shares were being issued.

In 2016, the Group has acquired additional 17% shareholding of Modex Production Limited and its subsidiary. The difference between the consideration for the acquisition and the value of net assets acquired amounting to US$678,994 is included in capital reserves as a separate component within equity.

In 2016, a shareholder of the Company granted a loan of US$1,500,000 for a term until the later of (i) 19 November 2017 and (ii) the date on which all outstanding indebtedness under the bank loan agreement have been paid in full (the “Maturity Date”) for the purposes of capital expenditure and working capital. Interest was chargeable at 7% per annum compounded annually on the principal and payable monthly by the end of the month. No dividend was to be made by Modex to its shareholders, unless and until all principal, interest, and other outstanding sums of the loan facility has been fully repaid (and in accordance with the provisions of the Facility Agreement). In 2018, the shareholder of the Company waived this loan of US$1,500,000 granted to the Group and its interest receivable of US$176,167.

In 2019, the Group has acquired the remaining 3% shareholding of Modex Production Limited and its subsidiary. The difference between the consideration for the acquisition and the value of net assets acquired amounting to US$112,600 is included in capital reserves as a separate component within equity.

TRANSLATION RESERVE

Exchange differences relating to the translation of the net assets of the group’s foreign operations, which relate to subsidiaries only. For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of the balances into the parent’s functional currency as disclosed above, are recognised in the translation reserves.

29 OPERATING LEASE ARRANGEMENTS

The company is committed to US$23,278 (2019 : US$62,292) for leases of low value assets.

30 EVENTS AFTER THE REPORTING PERIOD

Furthermore, subsequent to the year-end the one of the Group's subsidiary has entered into an arrangement to issue Bonds amounting to NOK 550,000,000, the proceeds of which have been utilised to settle the bank loan outstanding. There are no principal payments required under the Bonds agreement for a period of 5 years which will further strengthen the liquidity position of the Group to deal with any uncertainty arising from COVID 19.

Furthermore, the terms of the bonds have been disclosed below:

a. Each Company in the Group is the guarantor to the Bond Agreement.

b. The bonds are secured through a first priority mortgage on the Equipment of the Group.

c. The bonds are subject to a quarterly interest of 7.5% plus NIBOR payable at the end of each quarter.

APPENDIX 2B

THE INTERMEDIATE PARENT'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR OF 2019

Deloitte.

MODEX HOLDING LIMITED

DIRECTORS' STATEMENT AND
CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

MODEX HOLDING LIMITED

DIRECTORS' STATEMENT AND CONSOLIDATED FINANCIAL STATEMENTS

C O N T E N T S

MODEX HOLDING LIMITED

DIRECTORS' STATEMENT

In the opinion of the directors, the consolidated financial statements of the Group as set out on pages 5 to 51 are drawn up so as to present fairly, in all material aspects, the financial position of the Group as at 31 December 2019, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....
Paal Wilsgaard

....
Eric Marius Snellen

17 July 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MODEX HOLDING LIMITED

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Modex Holding Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 51.

In our opinion, the accompanying consolidated financial statements of the Group present fairly, in all material aspects, the consolidated financial position of the Group as at 31 December 2019 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended in accordance with the Financial Reporting Standards in Singapore ("FRSs").

Basis of 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.

Emphasis of Matter

We draw attention to Note 30 of the financial statements which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial statements. As set out in Note 30, no adjustment has been made to the financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement set out on page 1, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MODEX HOLDING LIMITED

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with FRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

- 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.

Other Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared solely for the information of the shareholders. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company and should not be used by parties other than the Company.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

17 July 2020

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		US$	US$
Revenue	7	43,995,415	43,392,524
Direct cost		(16,749,255)	(18,259,792)
Interest income		64,534	14,401
Other operating income	8	203,828	1,601,453
Amortisation of intangibles assets		(6,976,313)	(2,728,213)
Depreciation for plant and equipment		(10,725,393)	(10,933,452)
Depreciation for right-of-use assets		(1,789,898)	-
Employee benefits expense		(9,246,851)	(8,900,830)
Expenses relating to short-term leases		(124,733)	-
Leases of low value assets		(1,244)	-
Finance costs	9	(5,513,755)	(5,273,766)
Other operating expenses		(3,414,154)	(5,008,808)
Loss before taxation		(10,277,819)	(6,096,483)
Income tax credit	10	1,547,151	1,133,655
Loss for the year		(8,730,668)	(4,962,828)
Other comprehensive income (loss):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(475,401)	(4,924,535)
Total comprehensive loss for the year		(9,206,069)	(9,887,363)
Loss for the year attributable to:			
- Owners of the Company		(8,730,668)	(4,809,229)
- Non-controlling interests		-	(153,599)
		(8,730,668)	(4,962,828)
Total comprehensive loss for the year attributable to:			
- Owners of the Company		(9,206,069)	(9,733,764)
- Non-controlling interests		-	(153,599)
		(9,206,069)	(9,887,363)

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019

	Note	2019	2018
		US$	US$
Non-current assets			
Property, plant and equipment	11	104,320,632	115,341,370
Goodwill	12	39,907,030	40,204,969
Intangible assets	13	117,276	7,104,544
Right-of-use assets	15	5,288,286	-
Finance lease receivables	16	1,540,218	-
		151,173,442	162,650,883
Current assets			
Finance lease receivables	16	406,381	-
Inventories	17	2,071,320	2,010,821
Trade and other receivables	18	12,233,207	9,455,678
Deposits and prepayments	19	2,893,140	1,960,467
Bank balances and cash	20	3,822,242	2,878,298
Income tax recoverable		30,678	-
		21,456,968	16,305,264
Current liabilities			
Trade payables	21	14,761,336	12,681,577
Other payables and accruals	22	2,474,422	3,125,866
Loans	23	6,000,000	2,337,360
Lease liabilities	24	1,727,279	-
Income tax payable		-	3,678
		24,963,037	18,148,481
Net current liabilities		(3,506,069)	(1,843,217)
Non-current liabilities			
Other payables	22	5,229,348	5,130,809
Loans	23	61,418,168	70,866,188
Lease liabilities	24	3,693,102	-
Shareholders' loan	25	10,000,000	10,000,000
Deferred tax	26	5,223,887	7,065,482
		85,564,505	93,062,479
Net assets		62,102,868	67,745,187
Capital and reserves			
Share capital	27	129,819,484	126,205,734
Reserves		(67,716,616)	(58,623,147)
Equity attributable to owners of the Company		62,102,868	67,582,587
Non-controlling interests		-	162,600
Total equity		62,102,868	67,745,187

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2019

	Share capital	Capital reserve	Merger reserve	Translation reserve	Accumulated losses	Sub total	Equity attributable to the owner of the company total	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
At 1 January 2018	126,205,734	3,678,994	(5,432,810)	(17,424,077)	(31,387,657)	(50,565,550)	75,640,184	316,199	75,956,383
Loss for the year					(4,809,229)	(4,809,229)	(4,809,229)	(153,599)	(4,962,828)
Exchange differences on translation of foreign operations	-	-	-	(4,924,535)	-	(4,924,535)	(4,924,535)	-	(4,924,535)
Total comprehensive loss for the year	-	-	-	(4,924,535)	(4,809,229)	(9,733,764)	(9,733,764)	(153,599)	(9,887,363)
Transaction with owners, recognised directly in equity:									
Shareholder's loan forgiven (Note 25)	-	1,676,167	-	-	-	1,676,167	1,676,167	-	1,676,167
At 31 December 2018	126,205,734	5,355,161	(5,432,810)	(22,348,612)	(36,196,886)	(58,623,147)	67,582,587	162,600	67,745,187

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2019

	Share capital	Capital reserve	Merger reserve	Translation reserve	Accumulated losses	Sub total	Equity attributable to the owner of the company total	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
At 1 January 2019	126,205,734	5,355,161	(5,432,810)	(22,348,612)	(36,196,886)	(58,623,147)	67,582,587	162,600	67,745,187
Loss for the year	-	-	-	-	(8,730,668)	(8,730,668)	(8,730,668)	-	(8,730,668)
Exchange differences on translation of foreign operations	-	-	-	(475,401)	-	(475,401)	(475,401)	-	(475,401)
Total comprehensive income (loss) for the year	-	-	-	(475,401)	(8,730,668)	(9,206,069)	(9,206,069)	-	(9,206,069)
Transaction with owners, recognised directly in equity:									
Issue of share capital (Note 27)	3,613,750	-	-	-	-	-	3,613,750	-	3,613,750
Acquisition of non-controlling interests of a subsidiary (Note 28)	-	112,600	-	-	-	112,600	112,600	(162,600)	(50,000)
At 31 December 2019	129,819,484	5,467,761	(5,432,810)	(22,824,013)	(44,927,554)	(67,716,616)	62,102,868	-	62,102,868

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
31 DECEMBER 2019

	Note	2019	2018
		US$	US$
OPERATING ACTIVITIES			
Loss before taxation		(10,277,819)	(6,096,483)
Adjustments for:			
Interest income		(64,534)	(14,401)
Interest expense		5,513,755	5,273,766
Loss on disposal of plant and equipment		484,185	-
Depreciation of plant and equipment		10,725,393	10,933,452
Depreciation of right-of-use assets		1,789,898	-
Amortisation of intangible assets		6,976,313	2,728,213
Foreign exchange gain		413,650	(3,353,988)
Reversal of loss allowance on trade receivables		(355,209)	-
Loss allowance on trade receivables		10,418	786,238
Operating cash flows before movements in working capital		15,216,050	10,256,797
(Increase) Decrease in inventories		(60,499)	1,453,694
(Increase) Decrease in trade and other receivables		(351,011)	782,100
(Increase) Decrease in deposits and prepayments		(932,673)	162,494
Increase in trade payables		2,516,130	2,739,251
Decrease in other payables and accruals (Note A)		(1,556,347)	(4,372,845)
Cash generated from operations		14,831,650	11,021,491
Income tax paid		(173,489)	(914,796)
NET CASH FROM OPERATING ACTIVITIES		14,658,161	10,106,695
INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note A)		(6,860,154)	(3,144,735)
Proceeds from disposal of property, plant and equipment		895,796	926,185
Proceeds from collection of finance lease receivables		97,771	-
Acquisition of non-controlling interests in a subsidiary		(50,000)	-
Interest received		64,534	14,401
NET CASH USED IN INVESTING ACTIVITIES		(5,852,053)	(2,204,149)

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
31 DECEMBER 2019

	Note	2019	2018
		US$	US$
FINANCING ACTIVITIES			
Repayments of lease liabilities		(1,940,419)	-
Repayment of bank borrowings		(5,757,071)	(4,159,272)
Proceeds on issue of shares		3,613,750	-
Decrease (Increase) in restricted cash at bank		6,733	(7,351)
Interest paid		(4,231,375)	(3,858,636)
NET CASH USED IN FINANCING ACTIVITIES		(8,308,382)	(8,025,259)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		497,726	(122,713)
EFFECT OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS		452,951	(163,665)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,657,601	2,943,979
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	3,608,278	2,657,601

Note A:

Net cash outflow of US$6,860,154 (2018 : US$3,144,735) comprises purchase of plant and equipment of US$6,423,783 (2018 : US$3,511,648). The net balance of US$4,084,958 (2018 : US$4,521,329) was outstanding at the end of the reporting period (Note 22).

See accompanying notes to financial statements.

1. GENERAL

The Company is a limited company incorporated in British Virgin Islands with its registered office at Commerce House, Wickhams Cay 1, P.O.Box 3140, Road Town, Tortola, British Virgin Islands VG1110.

The Company's principal activity is investment holding. The principal activities of its subsidiaries are set out in Note 14 to the financial statements.

In 2015, the Company was established to hold 100% equity interest in Modex Asia Ltd. and its subsidiaries for a consideration of US$15,341,272 which was satisfied by issuing 12,000 new ordinary shares to the holding company. The restructuring exercise was considered to be a business combination involving entities under common control and was accounted for by applying the pooling of interest method. Accordingly, the assets and liabilities of these entities transferred had been included in the Group's financial statements at their carrying amounts.

The consolidated financial statements are presented in United States Dollars ("US$"), which is also the functional currency of the Company.

The Group reported a consolidated loss for the year of US$8,730,668 (2018 : US$4,962,828) for the year ended 31 December 2019 and as at the end of the reporting period, the Group's total current liabilities exceeded its total current assets by US$3,506,069 (2018 : US$1,843,217). Subsequent to the end of the reporting period, the subsidiary has obtained an undertaking from related parties not to recall or demand repayment of amounts payable due by the subsidiary amounting to $7,242,712, included in trade payables, within one year from the date of these financial statements.

Based on the above and the disclosures in Note 30 to the financial statements, the directors believe that the Group will have adequate resources to repay its debts as and when they fall due.

The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 17 July 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 116 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

FRS 116 *Leases*

FRS 116 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of FRS 116 on the Group’s financial statements is described below.

The date of initial application of FRS 116 for the Group is 1 January 2019.

The Group has applied FRS 116 using the cumulative catch-up approach where right-of-use assets were measured at the amount equal to the lease liability as at 1 January 2019 and does not permit restatement of comparatives, which continue to be presented under FRS 17 and INT FRS 104.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to FRS 116 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with FRS 17 and INT FRS 104 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. FRS 116 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in FRS 17 and INT FRS 104.

The Group applies the definition of a lease and related guidance set out in FRS 116 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in FRS 116 does not significantly change the scope of contracts that meet the definition of a lease for the company.

(b) Impact on lessee accounting

Former operating leases

FRS 116 changes how the Group accounts for leases previously classified as operating leases under FRS 17, which were off-balance-sheet.

Applying FRS 116, for all leases, the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with FRS 116.C8(b)(ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as if the Standard had been applied since the commencement date;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income; and

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under FRS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under FRS 116, right-of-use assets are tested for impairment in accordance with FRS 36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by FRS 116. This expense is presented in the consolidated statement of profit or loss and other comprehensive income.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying FRS 17.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(c) <u>Financial impact of initial application of FRS 116</u>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on 1 January 2019 ranges from 4.53% to 6.05%.

The following table shows the operating lease commitments disclosed applying FRS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the consolidated statement of financial position at the date of initial application.

	Office space	Motor vehicles	Total
	US$	US$	US$
Balance at beginning of year	3,162,287	45,468	3,207,755
Add : Lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	1,038,272	-	1,038,272
Less: Short-term leases and low value assets	(17,851)	(14,888)	(32,739)
Less: Effect of discounting the above amount	(360,531)	(2,882)	(363,413)
Lease liabilities recognised as at 1 January 2019	3,822,177	27,698	3,849,875

The Group has assessed that there is no tax impact arising from the application of FRS 116.

Right-of-use assets were measured at the 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 the date of initial application.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group were issued but not yet effective:

Effective for annual periods beginning on or after 1 January 2020

- Amendments to FRS 1 *Presentation of Financial Statements* and FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*
- Amendments to References to the Conceptual Framework in FRS Standards
- Amendment to FRS 116 *Covid-19 - Related Rent Concessions*
- Amendments to FRS 1 *Classification of Liabilities as Current or Non-current*

Management anticipates that the adoption of the above amendments to FRS in future periods will not have a material impact on the financial statements of the company in the period of their initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

BUSINESS COMBINATIONS OF ENTITIES UNDER COMMON CONTROL - Business combination involving entities under common control is accounted for by applying the pooling of interest method. Accordingly, the assets and liabilities of these entities transferred have been included in the Group's financial statements at their carrying amounts. The Group's financial statements for the comparative period of the financial year ended 31 December 2014 present the financial position, results of operations, changes in equity and cash flows as if the businesses had always been combined since the beginning of the earliest period. The difference between the consideration for the acquisition and the value of net assets acquired is included in merger reserve as a separate component within equity.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on trade and other receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Forward looking information considered includes the future prospects of the industries or countries in which the company's debtors operate in, as well as consideration of various external sources of actual and forecast economic information available that relate to the company's operations, and the company accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method, except for short-term balances when the effect of discounting is immaterial.

<u>Bank loans and shareholders' loans</u>

Interest-bearing bank loans and shareholders' loans are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowing in accordance with the Group's accounting policy for borrowing costs (see below).

<u>Derecognition of financial liabilities</u>

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

LEASES (Before January 1, 2019) - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Group as lessor</u>

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

<u>The Group as lessee</u>

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

LEASES (From January 1, 2019)

The Group as lessor

The Group rents its property, plant and equipment to intercompany and third parties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies FRS 115 to allocate the consideration under the contract to each component.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under FRS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.
The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies FRS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in the consolidated statement of profit or loss and other comprehensive income.

As a practical expedient, FRS 116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	5 years or over the terms of the relevant leases, if shorter
Furniture, fixtures and equipment	3 to 5 years
Containers	12 to 25 years
Motor vehicles	4 to 8 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

No depreciation is provided on assets under construction.

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

INTANGIBLE ASSETS - Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - The Group recognises revenue from sale of components and rental of the components. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to the customer.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure or qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATIONS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group’s obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (and tax bases) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised to profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in United States dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve (attributed to non-controlling interest, as appropriate).

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below:

Impairment assessment of property, plant and equipment

At the end of each reporting period, management assesses the carrying amount of the Group’s property, plant and equipment to determine whether there are any indications of impairment for which an allowance is required. Management determines the recoverable value of the property, plant and equipment based on the calculated value-in-use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using a pre-tax rate that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five to ten years based on an estimated growth rate of 3% to 13% (2018 : 5% to 41%).

The average rate used to discount the forecast cash flows from the Group is 9.87% (2018 : 11.7%).

The carrying amount of the Group’s property, plant and equipment is disclosed in Note 11 to the financial statements.

Useful lives of property, plant and equipment

In applying the accounting policy for property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. The carrying amount of property, plant and equipment is disclosed in Note 11 to the financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit ("CGU") and a suitable discount rate in order to calculate the present value. As at 31 December 2019, the carrying amount of the Group's goodwill amounted to US$39,907,030 (2018 : US$40,204,969). Further details are disclosed in Note 12 to the financial statements.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amount of the Group's trade and other receivables as at the end of the reporting period are disclosed in Note 18 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	2019	2018
	US$	US$
Financial assets		
Amortised cost	18,442,841	12,481,152
Financial liabilities		
Amortised cost	105,303,656	104,141,800

(b) *Financial risk management policies and objectives*

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include foreign exchange risk, interest rate risk, liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk management

Several subsidiaries of the Company have foreign currency sales/purchases denominated in currencies other than the entity's functional currency, which expose the Group to foreign currency risk. The Group's trade receivable and trade payable balances as at the end of the reporting period also had foreign currency exposures. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly in Singapore Dollar ("SGD"), Norwegian Krone ("NOK"), Australian dollar ("AUD"), United Arab Emirates ("AED") and Brazilian Real ("BRL"). The Group has short-term bank borrowings denominated in United States dollar.

The Company has a number of investments in foreign subsidiaries, particularly the subsidiary in Norway whose net assets are exposed to currency translation risk from NOK to US$.

If the Norwegian Krone had been 5% higher or lower and all other variables were held constant, the Group's net assets would increase/decrease by US$1,872,081 (2018 : US$2,027,459).

(ii) Interest rate risk management

The Group's cash flow interest rate risk primarily relates to bank balances. The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated. The management considers that interest rate risk on bank balances is insignificant.

Interest rates for the loans from former shareholders and related parties and shareholders' loan are fixed at the date of inception.

The Group's variable rate bank loan is exposed to a risk of change in cash flows due to changes in interest rates.

The Group adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance and/or refinance its working capital requirement.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the financial period would increase/decrease by US$337,091 (2018 : US$366,018). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loan.

(iii) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and bank loan.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of the bank loan and compliance with loan covenants.

In 2019, all financial liabilities of the Group, based on the agreed repayment terms, are due within one year from the end of the reporting period, except for the amount due to a third party, bank loan, non-current lease liabilities, and shareholders' loan as disclosed in Notes 22, 23, 24 and 25, respectively to the financial statements.

As at 31 December 2019, the Group's current liabilities exceeded its current assets by US$3,506,069 (2018 : US$1,843,217). Subsequent to the end of the reporting period, the subsidiary has obtained an undertaking from related parties not to recall or demand repayment of amounts payable due by the subsidiary amounting to $7,242,712, included in trade payables, within one year from the date of these financial statements.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the consolidated statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US$	US$	US$	US$	US$
Group						
2019						
Non-interest bearing	-	17,192,081	-	-	-	17,192,081
Lease liabilities (fixed)	4.53 – 6.05	1,936,614	3,932,529	-	(448,762)	5,420,381
Shareholders' loan (fixed)	7.00	10,700,000	-	-	(700,000)	10,000,000
Unsecured loan (fixed)	5.00	2,966,165	-	-	(141,246)	2,824,919
Non-current other payables (fixed)	10.00	-	2,692,918	-	(244,811)	2,448,107
Bank borrowing (variable)	3.25	9,463,587	63,448,215	-	(5,493,634)	67,418,168
		42,258,447	70,073,662	-	(7,028,453)	105,303,656
2018						
Non-interest bearing	-	15,707,955	-	-	-	15,707,955
Shareholders' loan (fixed)	7.00	10,700,000	-	-	(700,000)	10,000,000
Unsecured loan (fixed)	5.00	2,921,300	-	-	(139,110)	2,782,190
Non-current other payables (fixed)	10.00	-	2,692,918	-	(244,811)	2,448,107
Bank borrowing (variable)	3.25	6,043,129	76,743,949	-	(9,583,530)	73,203,548
		35,372,384	79,436,867	-	(10,667,451)	104,141,800

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial assets on the statements of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US$	US$	US$	US$	US$
Group						
2019						
Non-interest bearing	-	16,496,242	-	-	-	16,496,242
Finance lease receivables	6	509,566	1,698,553	-	(261,520)	1,946,599
		17,005,808	1,698,553	-	(261,520)	18,442,841
2018						
Non-interest bearing	-	12,481,152	-	-	-	12,481,152

(iv) Credit risk management

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
2019						
Trade receivables	18	(i)	Lifetime ECL (simplified approach)	13,455,371	(1,447,748)	12,007,623
Other receivables	18	Performing	12-month ECL	225,584	-	225,584
Finance lease receivable	16	Performing	12-month ECL	1,946,599	-	1,946,599
					(1,447,748)	
2018						
Trade receivables	18	(i)	Lifetime ECL (simplified approach)	10,966,635	(1,793,390)	9,173,245
Other receivables	18	Performing	12-month ECL	282,433	-	282,433
					(1,793,390)	

(i) The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties. Cash is held with creditworthy institutions and is subject to immaterial credit loss.

The Group's credit risk is concentrated with 3 customers (2018 : 3 customers), which account for 22% (2018 : 30%) of the total trade receivables balance.

Further details of credit risks on trade and other receivables are disclosed in Note 18.

(v) Fair value of financial assets and financial liabilities

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, bank loan and shareholders' loan approximate their respective fair values due to the relatively short-term maturity of these financial instruments, except for non-current other payables, bank loan and shareholders' loan. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

(vi) Capital management policies and objectives

The Group reviews its capital structure at least annually to ensure that the Group will be able to continue as a going concern. The capital structure of the Group comprises only bank loan, shareholders' loan, issued capital and capital reserve as disclosed in Notes 23, 25, 27 and 28 respectively. The Group's overall strategy remains unchanged from prior year.

5 RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of Modex Holding Limited's group of companies.

Many of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transaction between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note.

6 OTHER RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel during the year are as follows:

	The Group	
	2019	2018
	US$	US$
Director fees	176,101	150,185
Salaries and short term benefit	518,633	501,016
Total	694,734	651,201

7 REVENUE

Revenue represents the invoiced value of goods sold and rental income received and receivable by the Group during the year:

	The Group	
	2019	2018
	US$	US$
Sale of containers	11,665,138	10,382,858
Rental income	32,330,277	33,009,666
	43,995,415	43,392,524

A disaggregation of the Group's revenue for the year is as follows:

	The Group	
	2019	2018
	US$	US$
Over time		
Rental income	32,330,277	33,009,666
At a point in time		
Sale of containers	11,665,138	10,382,858

8 OTHER OPERATING INCOME

	The Group	
	2019	2018
	US$	US$
Yard rental income	185,556	180,000
Gain on disposal of plant and equipment	1,577	-
Sling settlement income	-	1,314,874
Others	16,695	106,579
	203,828	1,601,453

9 FINANCE COSTS

	The Group	
	2019	2018
	US$	US$
Interest on bank loans (Note 23)	4,002,322	4,332,715
Interest on lease liabilities (Note 24)	282,616	-
Interest on shareholder's loan (Note 25)	1,086,568	790,362
Interest on former shareholder's loan	134,384	147,634
Others	7,865	3,055
	5,513,755	5,273,766

10 INCOME TAX CREDIT

	The Group	
	2019	2018
	US$	US$
Current tax:		
- Current year	-	96,998
Deferred tax:		
- Current year (Note 26)	(1,763,548)	(1,496,804)
Withholding tax	216,397	266,151
	(1,547,151)	(1,133,655)

The Company operates in British Virgin Islands for which its profits are not subject to tax. Taxation for other jurisdictions is calculated at the rates ranging from 10% to 30% (2018 : 10% to 30%) prevailing in the relevant jurisdictions.

Tax charge (credit) for the year can be reconciled to the loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	The Group	
	2019	2018
	US$	US$
Loss before taxation	(10,277,819)	(6,096,483)
Tax benefit at statutory tax rates in respective jurisdiction	(1,812,647)	(1,195,756)
Tax effect of expenses that are not deductible for tax purposes	76,757	1,840,208
Tax effect of income that is not taxable for tax purposes	(889,777)	(600,400)
Utilisation of previously unrecognised deferred tax assets	-	(1,896,817)
Tax effect of deferred tax benefits not recognised	694,868	633,162
Effect of different tax rates and changes in future tax rates	167,251	(180,203)
Withholding tax	216,397	266,151
Tax credit for the year	(1,547,151)	(1,133,655)

As at the end of the reporting period, the Group has capital allowances and tax losses carry forward available for offsetting against future taxable income as follows:

The Group	Accelerated tax depreciation	Unabsorbed capital allowances	Unutilised tax losses	Total
	US$	US$	US$	US$
At 1 January 2018	(12,124,199)	29,601,294	7,687,963	25,165,058
Adjustments	820,459	(7,778,957)	141,850	(6,816,648)
Utilised during the year	-	(9,415,906)	(698)	(9,416,604)
Arising during the year	16,609,167	-	1,011,173	17,620,340
At 31 December 2018	5,305,427	12,406,431	8,840,288	26,552,146
Adjustments	(14,093,033)	1,408,870	(3,226,019)	(15,910,182)
Arising during the year	249,273	2,151,079	1,647,916	4,048,268
At 31 December 2019	(8,538,333)	15,966,380	7,262,185	14,690,232
Deferred tax benefit on above not recorded as at 31 December 2019	(1,451,517)	3,324,617	1,943,740	3,816,840
Deferred tax benefit on above not recorded as at 31 December 2018	1,469,218	2,109,093	2,069,474	5,647,785

Deferred tax assets had not been recognised in respect of the above capital allowances and tax losses carry forward and income tax benefit arising from the difference between tax over book depreciation due to uncertainties in the future profit streams.

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Containers	Motor vehicle	Assets under construction	Total
	US$	US$	US$	US$	US$	US$
Cost:						
At 1 January 2018	449,890	2,278,052	158,944,808	309,275	209,972	162,191,997
Additions	9,252	74,378	3,428,018	-	-	3,511,648
Disposals	-	-	(2,535,191)	(185,517)	-	(2,720,708)
Reclassification	-	-	79,436	-	(79,436)	-
Exchange realignment	(33,676)	(156,678)	(6,550,961)	(19,397)	-	(6,760,712)
At 31 December 2018	425,466	2,195,752	153,366,110	104,361	130,536	156,222,225
Additions	11,804	115,374	5,944,541	3,648	348,416	6,423,783
Disposals	(7,605)	(61,551)	(6,591,183)	(106,064)	-	(6,766,403)
Reclassification	-	-	177,807	-	(177,807)	-
Exchange realignment	(5,354)	(26,356)	(1,700,362)	(1,139)	-	(1,733,211)
At 31 December 2019	424,311	2,223,219	151,196,913	806	301,145	154,146,394

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31 December 2019

	Leasehold improvements	Furniture, fixtures and equipment	Containers	Motor vehicle	Assets under construction	Total
	US$	US$	US$	US$	US$	US$
Accumulated depreciation:						
At 1 January 2018	301,999	2,020,389	30,176,690	240,108	-	32,739,186
Provided for the year	48,155	131,730	10,729,002	24,565	-	10,933,452
Eliminated on disposals	-	-	(352,360)	(176,962)	-	(529,322)
Exchange realignment	(25,012)	(147,108)	(2,071,001)	(19,340)	-	(2,262,461)
At 31 December 2018	325,142	2,005,011	38,482,331	68,371	-	40,880,855
Provided for the year	47,430	100,453	10,567,146	10,364	-	10,725,393
Eliminated on disposals	(7,605)	(54,281)	(1,094,941)	(103,498)	-	(1,260,325)
Exchange realignment	(4,782)	(25,371)	(488,853)	(1,155)	-	(520,161)
At 31 December 2019	360,185	2,025,812	47,465,683	(25,918)	-	49,825,762
Carrying amount:						
At 31 December 2019	64,126	197,407	103,731,230	26,724	301,145	104,320,632
At 31 December 2018	100,324	190,741	114,883,779	35,990	130,536	115,341,370

12 GOODWILL

	The Group	
	2019	2018
	US$	US$
As at 1 January	40,204,969	42,242,179
Exchange realignment	(297,939)	(2,037,210)
At 31 December	39,907,030	40,204,969

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	The Group	
	2019	2018
	US$	US$
Modex AS (formerly known as Euro Offshore AS)	23,279,100	23,577,039
Modex LLC (formerly known as Gauthiers' Oilfield Rentals LLC)	16,627,930	16,627,930
	39,907,030	40,204,969

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. No impairment loss has been recognised for the Group based on the above basis.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five to ten years based on an estimated growth rate of 3% to 14% (2018 : 5% to 41%).

The average rate used to discount the forecast cash flows from the Group is 9.87% (2018 : 11.7%).

No impairment loss has been recognised for the Group based on the above basis.

The Group prepares cash flow forecasts derived from the most recent financial results and takes into account industry growth forecasts for the next five years. The carrying amount of goodwill as at 31 December 2019 was US$39,907,030 (2018 : US$40,204,969) with no impairment adjustment required for 2019. If the discount rate increases to above 14.27% (2018 : 13.26%) or the average utilisation decreases by more than 10% (2018 : 6.1%) over the next 5 years, with all other variables remaining constant, the recoverable value will be lower than the carrying value.

13 INTANGIBLE ASSETS

	Customer relationship	Supplier relationships	Brand name	Total
	US$	US$	US$	US$
The Group				
Cost:				
At 1 January 2018	15,314,087	822,796	5,419,335	21,556,218
Exchange realignment	(943,777)	(65,440)	(127,202)	(1,136,419)
At 31 December 2018	14,370,310	757,356	5,292,133	20,419,799
Exchange realignment	(138,026)	(9,571)	(18,603)	(166,200)
At 31 December 2019	14,232,284	747,785	5,273,530	20,253,599
Accumulated amortisation:				
At 1 January 2018	9,847,149	655,270	1,443,234	11,945,653
Amortisation charge	2,078,817	162,262	487,134	2,728,213
Exchange realignment	(1,217,842)	(85,422)	(55,347)	(1,358,611)
At 31 December 2018	10,708,124	732,110	1,875,021	13,315,255
Amortisation charge	3,544,549	25,837	3,405,927	6,976,313
Exchange realignment	(137,665)	(10,162)	(7,418)	(155,245)
At 31 December 2019	14,115,008	747,785	5,273,530	20,136,323
Carrying amount:				
At December 31, 2019	117,276	-	-	117,276
At December 31, 2018	3,662,186	25,246	3,417,112	7,104,544

Customer relationships are network distributors through which the Group indirectly sells to the end customers by geographical region. The carrying amount of customer relationships at 31 December 2019 is US$117,276 (2018 : US$3,662,186). The average remaining amortisation period is 1 year (2018 : 1 to 5 years).

Amortisation period for supplier relationships and brand name is 5 years and 10 to 15 years respectively.

In 2019, the brand name was fully amortised due to the change in name of the Group’s subsidiaries as disclosed in Note 14 to the financial statements.

14 INVESTMENT IN SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name	Issued and fully paid-up capital/contributed capital	Portion of nominal value of issued/registered capital held by the Company		Place of registration/ incorporation	Principal activities
		2019	2018		
Held by the Company					
Modex Asia Limited	US$79,949,999	100%	100%	Hong Kong	Investment holding
Held by the Modex Asia Limited					
Modex Australia Pty. Ltd.	AUD$1	100%	100%	Australia	Trading and leasing of containers
Modex Energy Do Brasil Services LTDA	BRL1,067,243	100%	100%	Brazil	Trading and leasing of containers
Modex Energy Rentals LLC	US$12,565,190.72	100%	100%	Marshall Islands	Leasing of containers
Modex Production Limited	HKD$1,000	100%	97%	Hong Kong	Investment holding
Modex Singapore Pte. Ltd.	SGD$10,010	100%	100%	Singapore	Trading and repair of oil and gas field equipment
Modex Manufacturing Limited (Note A)	HKD1	-	-	Hong Kong	Investment holding
Modex Middle East FZE	-	100%	100%	United Arab Emirates	Leasing of containers
Bluedex Pte. Ltd. (Note B)	-	-	100%	Singapore	Trading of oil and gas related equipment
Held by the Modex Production Limited					
Modex Energy Services Limited	HKD$1	100%	97%	Hong Kong	Trading of containers

Name	Issued and fully paid-up capital/contributed capital	Portion of nominal value of issued/registered capital held by the Company		Place of registration/ incorporation	Principal activities
		2019	2018		
Held by the Company					
Held by Modex Singapore Pte. Ltd.					
Modex AS (formerly known as Euro Offshore AS)	NOK 2,500,000	100%	100%	Norway	Trading and leasing of containers
Euro Offshore Holding	NOK 1,000,000	100%	100%	Norway	Investment holding
Held by Modex Energy Rentals LLC					
Modex Energy Rentals Singapore Pte. Ltd.	SGD$1	100%	100%	Singapore	Ownership and leasing offshore containers
Held by Modex Energy Rentals Singapore Pte. Ltd.					
Modex USA Holding Inc.	US$10	100%	100%	United States of America	Investment holding
Held by Modex USA Holding Inc.					
Gauthier Homes Inc. (merged under Modex LLC) (Note C)	-	-	100%	United States of America	Ownership and leasing offshore containers
Modex LLC (formerly known as Gauthiers' Oilfield Rentals LLC)	-	100%	100%	United States of America	Ownership and leasing offshore containers

Note A: On 27 December 2018, Modex Manufacturing Limited was dissolved by way of deregistration.

Note B: The Group is deemed to have 100% economic interest in Bluedex Pte. Ltd. at the end of 2018 based on its effective control. Subsequent to the end of the reporting period, Bluedex Pte. Ltd. has voluntary struck off in January 2019.

Note C: On 1 December 2018, Gauthiers Oilfield Rentals LLC (GOR) was renamed as Modex LLC. On 1 January 2019, Gauthier Homes Inc. (GH) amalgamated with Modex LLC.

15 RIGHT-OF-USE ASSETS

The company leases office space and motor vehicles. The average lease term is ranging from 2 to 7 years.

	The Group		
	Office space	Motor vehicles	Total
		US$	US$
Cost:			
At 1 January 2019, on initial adoption of FRS 116	3,822,177	27,698	3,849,875
Additions	3,022,635	205,674	3,228,309
At 31 December 2019	6,844,812	233,372	7,078,184
Accumulated depreciation:			
At 1 January 2019	-	-	-
Depreciation for the year	1,747,492	42,406	1,789,898
At 31 December 2019	1,747,492	42,406	1,789,898
Carrying amount:			
At 31 December 2019	5,097,320	190,966	5,288,286

16 FINANCE LEASE RECEIVABLES

	The Group	
	2019	2019
	Minimum lease payments	Present value of minimum lease payments
	US$	US$
Amounts receivables under finance leases:		
Year 1	509,566	406,381
Year 2	509,566	431,085
Year 3	509,566	456,950
Year 4	509,566	484,367
Year 5	169,855	167,816
	2,208,119	1,946,599
Less: Unearned finance income	(261,520)	-
Present value of minimum lease payments receivable	1,946,599	1,946,599
Analysed as:		
Current finance lease receivables		406,381
Non-current finance lease receivables		1,540,218
		1,946,599

On 7 May 2019, the company leased its containers under finance leases. The average lease term was 5 years and the title will be transferred to the leasee at the end of term term. The average effective interest rate is 6%. Interest rates were fixed at the contract date, and thus exposed the company to fair value interest rate risk, which management has assessed the impact to be immaterial.

17 INVENTORIES

	The Group	
	2019	2018
	US$	US$
Finished goods	2,071,320	2,010,821

The total cost of inventories recognised in profit or loss during the year amounted to US$8,119,424 (2018 : US$6,915,529).

18 TRADE AND OTHER RECEIVABLES

	The Group	
	2019	2018
	US$	US$
Trade receivables - outside parties	13,455,371	10,966,635
Trade receivables – loss allowance	(1,447,748)	(1,793,390)
	12,007,623	9,173,245
Other receivables - outside parties	225,584	282,433
	12,233,207	9,455,678

The average credit period on sale of goods is 60 days (2018 : 60 days). No interest is charged on the outstanding balance.

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The movements in credit loss allowance are as follows:

	2019	2018
	US$	US$
Balance at beginning of the year	1,793,390	1,010,875
Loss allowance recognised in profit or loss during the year on:		
- Assets originated	10,418	786,238
- Reversal of unutilised amounts	(355,209)	-
- Changes in credit risk	-	-
	(344,791)	786,238
Exchange difference	(851)	(3,723)
Balance at end of the year	1,447,748	1,793,390

19 DEPOSITS AND PREPAYMENTS

	The Group	
	2019	2018
	US$	US$
Deposits	440,793	147,176
Prepayments	2,452,347	1,813,291
	2,893,140	1,960,467

20 BANK BALANCES AND CASH

	The Group	
	2019	2018
	US$	US$
Cash at banks	3,608,278	2,657,601
Restricted cash at bank	213,964	220,697
	3,822,242	2,878,298
Less: Restricted cash at bank	(213,964)	(220,697)
Cash and cash equivalents as presented in consolidated statement of cash flows	3,608,278	2,657,601

Restricted cash at bank is related to salary taxes withheld for the employees in Norway subsidiaries.

21 TRADE PAYABLES

	The Group	
	2019	2018
	US$	US$
Outside parties	14,761,336	12,681,577

The average credit period on purchases of goods is 3 months (2018 : 3 months). No interest is charged on the outstanding balance of trade payables.

22 OTHER PAYABLES AND ACCRUALS

	The Group	
	2019	2018
	US$	US$
Current		
Other payables - outside parties	581,495	813,906
Accruals	1,892,927	2,311,960
	2,474,422	3,125,866
Non-current		
Loans from former shareholders	2,781,241	2,682,702
Other payables - outside parties	2,448,107	2,448,107
	5,229,348	5,130,809

The loans from former shareholders are unsecured, bears fixed interest at 5% and repayable only when the existing bank loans have been repaid.

On 1 June 2016, the Company entered into an Equipment Purchase Agreement with a third party ("Seller") for the purchase of containers, for a consideration of US$3,870,562, which management had assessed it as being the fair value of the containers at the date of the transaction. At the same time, the Company entered into a lease agreement with the Seller to lease back the same equipment for a period of 6 years at a fixed rental amount. Under the terms of the lease agreement, the Company has granted an option to the Seller to acquire the containers at the end of the sixth year for a consideration of US$2,448,107 ("Purchase Option Price").

The consideration for the acquisition of the containers to be satisfied as follows:

(a) US$1,422,455 ("First Purchase Price") paid within 7 days from the date of the Equipment Purchase Agreement;

(b) US$2,448,107 ("Second Purchase Price") payable at the end of sixth year or by way of offset against the Purchase Option Price if the option is exercised by the Seller.

The Second Purchase Price bears a fixed interest rate of 10% per annum over the term of lease and remains outstanding as at the end of the reporting period. As the amount is repayable at the end of the sixth year, the amount has been classified under non-current liability.

Management has assessed the terms of the lease at its inception and concluded that it is an operating lease as the Company is exposed to significant risks and returns associated with the ownership and control of the containers and it is not reasonably certain that the purchase option will be exercised as it is not considered a bargain purchase option.

Subsequent to the end of the reporting period, the third party waived all rights and obligations in respect of any and all outstanding unpaid balances arising from the agreement between the parties as disclosed in Note 30 to the financial statements.

23 LOANS

	The Group	
	2019	2018
	US$	US$
Secured		
- carrying amount of bank loans that are repayable more than 2 years, but not exceeding 5 years	61,418,168	70,866,188
- carrying amount of bank loans that are repayable within one year from the end of the reporting period	6,000,000	2,337,360
	67,418,168	73,203,548

The Group has complied with all the financial covenants as at 31 December 2019. In 2018, the loans were refinanced successfully with the financial institutions on 27 July 2018 ("Effective Date").

Based on the renewed loan facility agreement above, the term loan bears an aggregate interest of the applicable margin ranging from 3.00% to 4.00% per annum by reference to the ratio of Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") at the beginning of each interest period, plus London Interbank Offered Rate ("LIBOR") if the loan is denominated in United States Dollar, and Norway Interbank Offered Rate ("NIBOR") if the loan is denominated in Norwegian Kroner. This renewed loan facility will continue to be subject to certain revised financial covenants at the end of each fiscal quarter end, secured by legal mortgages over the Group's containers (Note 11) and corporate guarantees by certain related companies, and will be repayable by consecutive quarterly instalments ranging from US$1.275 million to US$1.5 million with the quarter commencing on the Effective Date and a final single instalment of the remaining balance on 27 July 2021.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019	Adoption of FRS 116	Financing cash flow (1)	New lease liabilities	Other changes (2)	31 December 2019
	US$		US$		US$	US$
Bank loans (Note 23)	73,203,548	-	(9,439,490)	-	3,654,110	67,418,168
Lease liabilities (Note 24)	-	3,849,875	(1,940,419)	3,228,309	282,616	5,420,381
Shareholders' loan (Note 25)	10,000,000	-	(548,956)	-	548,956	10,000,000
	83,203,548	3,849,875	(11,928,865)	3,228,309	4,485,682	82,838,549

	1 January 2018	Financing cash flow (1)	Other changes (2)	31 December 2018
	US$	US$	US$	US$
Bank loans (Note 23)	81,079,194	(4,159,272)	(3,716,374)	73,203,548
Shareholders' loan (Note 25)	11,500,000	-	1,500,000)	10,000,000
	92,579,194	(4,159,272)	(5,216,374)	83,203,548

(1) The cash flows make up the net amount of proceeds from bank loans, repayments of bank loans and lease liabilities in the consolidated statement of cash flows.

(2) Other changes include interest accruals, payments and waiver of loan.

24 LEASE LIABILITIES

	2019
	US$
Maturity analysis:	
Year 1	1,936,614
Year 2	1,736,972
Year 3	1,323,151
Year 4	429,226
Year 5 and above	443,180
	5,869,143
Less: Unearned interest	(448,762)
	5,420,381
Analysis as:	
Current	1,727,279
Non-current	3,693,102
	5,420,381

The Group does not face a significant liquidity risk with regard to its lease liabilities.

25 SHAREHOLDERS' LOANS

In 2015, the shareholder of the Group granted a loan of US$10,000,000 for a term until the later of (i) 19 November 2017 and (ii) the date on which all outstanding indebtedness under the bank loan agreement have been paid in full (the "Maturity Date") for the purpose of acquisition of 100% business interest and ownership in Gauthier Homes Inc and Gauthiers' Oilfield Rental by Modex Energy Rentals Singapore Pte Ltd, one of the subsidiaries of the Group. Interest is chargeable at 7% per annum compounded annually on the principal and payable monthly by the end of the month. No dividend shall be made by Modex to its shareholders, unless and until all principal, interest, and other outstanding sums of the loan facility has been fully repaid (and in accordance with the provisions of the Facility Agreement).

In 2016, another shareholder of the Group granted a loan of US$1,500,000 for a term until the later of (i) 19 November 2017 and (ii) the date on which all outstanding indebtedness under the bank loan agreement have been paid in full (the "Maturity Date") for the purposes of capital expenditure and working capital. Interest is chargeable at 7% per annum compounded annually on the principal and payable monthly by the end of the month. No dividend shall be made by Modex to its shareholders, unless and until all principal, interest, and other outstanding sums of the loan facility has been fully repaid (and in accordance with the provisions of the Facility Agreement). In 2018, the shareholder of the Group has waived this shareholder's loan of US$1,500,000 granted to the Group and its interest receivable of US$176,167.

26 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relate to the same fiscal authority.

The amounts, determined after appropriate offsetting, are shown on the consolidated statement of financial position as follows:

	The Group	
	2019	2018
	US$	US$
As at 1 January	7,065,482	9,595,137
Adjustment	73,586	-
Credit to profit or loss for the year (Note 10)	(1,763,548)	(1,496,804)
Exchange realignment and change in tax rate	(151,633)	(1,032,851)
As at 31 December	5,223,887	7,065,482

As at the end of the reporting period, deferred tax liabilities comprised of the temporary taxable differences of US$10,386,084 (2018 : US$ 11,559,077) arising from accelerated tax depreciation, offset by temporary deductible differences of US$5,162,197 (2018 : US$4,493,595) arising from provisions and unutilised tax losses.

27 SHARE CAPITAL

	2019	2018	2019	2018
	Number of ordinary shares		US$	US$
Share capital				
Issued and paid up:				
At beginning of year	38,586	38,586	126,205,734	126,205,734
Issued for cash	4,375	-	3,613,750	-
At end of year	42,961	38,586	129,819,484	126,205,734

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

28 RESERVES

In 2015, the capital reserve of US$3,000,000 relates to the contingent consideration payable in the acquisition of GOR and GHI upon the acquiree achieving the pre-determined financial performance targets by end of 2015 and 2016. This contingent consideration is to be satisfied by the issuance of shares in Modex Holding Limited. As the pre-determined financial performance targets were not achieved, hence no ordinary shares were being issued.

In 2016, the Group has acquired additional 17% shareholding of Modex Production Limited and its subsidiary. The difference between the consideration for the acquisition and the value of net assets acquired amounting to US$678,994 is included in capital reserves as a separate component within equity.

In 2018, the capital reserve of US$1,676,167 arose from the waiver of shareholder’s loan and its interest receivable during the financial year (Note 25).

During the financial year, the Group has acquired the remaining 3% shareholding of Modex Production Limited and its subsidiary. The difference between the consideration for the acquisition and the value of net assets acquired amounting to US$112,600 is included in capital reserves as a separate component within equity.

29 OPERATING LEASE ARRANGEMENTS

At 31 December 2019, the company is committed to US$62,292 for leases of low value assets.

At 31 December 2018, the company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group
	2018
	US$
Within one year	1,519,351
In second to fifth years inclusive	2,723,629
	4,242,980

The Group's depot sites, machinery and equipment leased out under operating leases with terms of one to five years without termination options granted.

30 EVENTS AFTER THE REPORTING PERIOD

(i) On 11 March 2020, the World Health Organisation declared the Coronavirus Disease (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak and the measures taken to contain the spread of the pandemic have created a high level of uncertainty to global economic prospects.

A series of measures to curb the COVID-19 outbreak have been and continue to be implemented in countries where the Group operates, including requirements to limit or suspend business operations, travel restrictions and quarantine measures. There has not been any major impact on the operations of the Group, as the Group is considered to be operating in an essential business environment.

Management is actively evaluating the measures taken by Government of the geographical locations that the Group operates in and how these measures impact the logistic business industry. Management understands that the recovery of its services will be slow, and will depend on future measures that are applied, which are uncertain and cannot be predicted with confidence, such as the definitive geographical spread of the disease, the duration of the outbreak, travel restrictions and social distancing globally, commercial closings or commercial interruptions, and the effectiveness of the actions taken globally to contain the disease.

As of the date of this financial statements, there has been limited financial impact on financial performance of the Group. Any financial impact arising from COVID-19 is considered as a non-adjusting event on these financial statements but has been considered in the going concern assessment by the management.

As the situation continues to evolve with significant level of uncertainty, the Group is unable to reasonably estimate the full financial impact of the COVID-19 outbreak. The Group is monitoring the situation closely and to mitigate the financial impact in order to continue as a going concern, management has put in place measures to ensure adequate liquidity in the Group which include, but not limited to, the following:

- adopting an operating cost reduction strategy;
- delaying capital expenditure on equipment;
- working closely with bankers for continuing financing support measures;
- expects the support measures introduced by the Singapore Government to help cushion the cash flows impact of the Group.

(ii) One of the subsidiaries, Modex Energy Rentals Singapore Pte Ltd, has entered into an asset purchase agreement with a third party to dispose of its plant and equipment, with a carrying amount of US$3,107,812, at the consideration of US$1,875,000.

The subsidiary has also entered into a deed of waiver with the same third party to waive all rights and obligations in respect of any and all outstanding unpaid balances arising from any agreement between the parties related to the plant and equipment disposed and resulted in the derecogition of other payables to outside parties amounting to US$2,448,107 as disclosed in Note 22 to the financial statements.

The transactions were completed in April 2020 and resulted in a net gain on the transaction amounting to US$1,215,295.

APPENDIX 2C

THE INTERMEDIATE PARENT'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR OF 2018

Deloitte.

MODEX HOLDING LIMITED

Directors' Statement And Consolidated Financial Statements

For the year ended 31 December 2018

MODEX HOLDING LIMITED

DIRECTORS' STATEMENT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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DGSC-SM/3041709-4079621-FS/SGP/AKCH/KFG/FLCH

MODEX HOLDING LIMITED

DIRECTORS' STATEMENT

In the opinion of the directors, the consolidated financial statements of the Group as set out on pages 5 to 48 are drawn up so as to present fairly, in all material aspects, the financial position of the Group as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....
Paal Wilsgaard

....
Eric Marius Snellen

27 May 2019

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MODEX HOLDING LIMITED

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Modex Holding Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 48.

In our opinion, the accompanying consolidated financial statements of the Group present fairly, in all material aspects, the consolidated financial position of the Group as at 31 December 2018 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended in accordance with the Financial Reporting Standards in Singapore ("FRSs").

Basis of 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement set out on page 1.

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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MODEX HOLDING LIMITED

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with FRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MODEX HOLDING LIMITED

- 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.

Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared solely for the information of the shareholders. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company and should not be distributed to or used by parties other than the Company.

Deloitte & Touche

Public Accountants and
Chartered Accountants
Singapore

27 May 2019

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 US$	2017 US$
Revenue	7	43,392,524	43,727,360
Direct cost		(18,259,792)	(19,666,794)
Interest income		14,401	17,240
Other operating income	8	1,601,453	413,752
Amortisation of intangibles assets		(2,728,213)	(2,764,374)
Depreciation for plant and equipment		(10,933,452)	(11,485,931)
Employee benefits expense		(8,900,830)	(9,786,800)
Finance costs	9	(5,273,766)	(5,860,118)
Other operating expenses		(5,008,808)	(5,320,544)
Loss before taxation		(6,096,483)	(10,726,209)
Income tax credit (expense)	10	1,133,655	(86,799)
Loss for the year		(4,962,828)	(10,813,008)
Other comprehensive income (loss):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(4,924,535)	3,775,416
Total comprehensive loss for the year		(9,887,363)	(7,037,592)
Loss for the year attributable to:			
- Owners of the Company		(4,809,229)	(10,829,179)
- Non-controlling interests		(153,599)	16,171
		(4,962,828)	(10,813,008)
Total comprehensive loss for the year attributable to:			
- Owners of the Company		(9,733,764)	(7,053,763)
- Non-controlling interests		(153,599)	16,171
		(9,887,363)	(7,037,592)

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	NOTE	2018 US$	2017 US$
Non-current assets			
Property, plant and equipment	11	115,341,370	129,452,811
Goodwill	12	40,204,969	42,242,179
Intangible assets	13	7,104,544	9,610,565
		162,650,883	181,305,555
Current assets			
Inventories	15	2,010,821	2,199,314
Trade and other receivables	16	9,455,678	11,024,016
Deposits and prepayments	17	1,960,467	2,122,961
Bank balances and cash	18	2,878,298	3,157,325
		16,305,264	18,503,616
Current liabilities			
Trade payables	19	12,681,577	9,255,441
Other payables and accruals	20	5,808,568	9,419,584
Loans	21	2,337,360	81,079,194
Shareholders' loan	22	-	11,500,000
Income tax payable		3,678	555,325
		20,831,183	111,809,544
Net current liabilities		(4,525,919)	(93,305,928)
Non-current liabilities			
Other payables	20	2,448,107	2,448,107
Loans	21	70,866,188	-
Shareholders' loan	22	10,000,000	11,500,000
Deferred tax	23	7,065,482	9,595,137
		90,379,777	12,043,244
Net assets		67,745,187	75,956,383
Capital and reserves			
Share capital	24	126,205,734	126,205,734
Reserves		(58,623,147)	(50,565,550)
Equity attributable to owners of the Company		67,582,587	75,640,184
Non-controlling interests		162,600	316,199
Total equity		67,745,187	75,956,383

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company							
	Share capital US$	Capital reserve US$	Merger reserve US$	Translation reserve US$	Accumulated losses US$	Sub-Total US$	Equity attributable to the owners of the company Total US$	Non-controlling interests US$	Total US$
At 1 January 2017	126,205,734	3,678,994	(5,432,810)	(21,199,493)	(20,558,478)	(43,511,787)	82,693,947	300,028	82,993,975
Loss for the year	-	-	-	-	(10,829,179)	(10,829,179)	(10,829,179)	16,171	(10,813,008)
Exchange differences on translation of foreign operations	-	-	-	3,775,416	-	3,775,416	3,775,416	-	3,775,416
Total comprehensive income (loss) for the year	-	-	-	3,775,416	(10,829,179)	(7,053,763)	(7,053,763)	16,171	(7,037,592)
At 31 December 2017	126,205,734	3,678,994	(5,432,810)	(17,424,077)	(31,387,657)	(50,565,550)	75,640,184	316,199	75,956,383
Loss for the year	-	-	-	-	(4,809,229)	(4,809,229)	(4,809,229)	(153,599)	(4,962,828)
Exchange differences on translation of foreign operations	-	-	-	(4,924,535)	-	(4,924,535)	(4,924,535)	-	(4,924,535)
Total comprehensive income (loss) for the year	-	-	-	(4,924,535)	(4,809,229)	(9,733,764)	(9,733,764)	(153,599)	(9,887,363)
Transaction with owners, recognised directly in equity:									
Shareholder's loan forgiven (Note 25)	-	1,676,167	-	-	-	1,676,167	1,676,167	-	1,676,167
At 31 December 2018	126,205,734	5,355,161	(5,432,810)	(22,348,612)	(36,196,886)	(58,623,147)	67,582,587	162,600	67,745,187

See accompanying notes to financial statements.

MODEX HOLDING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 US$	2017 US$
OPERATING ACTIVITIES			
Loss before taxation		(6,096,483)	(10,726,209)
Adjustments for:			
Interest income		(14,401)	-
Interest expense		5,273,766	5,645,760
Depreciation and amortisation expense		13,661,665	14,250,305
Gain on disposal of joint venture		-	(275,087)
Gain on disposal of business	26	-	(28,868)
Foreign exchange gain		(3,353,989)	(1,215,648)
Loss allowance on trade receivables		786,238	964,603
Operating cash flows before movements in working capital		10,256,797	8,614,856
Decrease in inventories		1,453,694	87,317
(Increase) Decrease in trade and other receivables		782,100	(4,783,614)
Increase in deposits and prepayments		162,494	-
Increase in trade payables		1,678,092	1,631,199
(Decrease) Increase in other payables and accruals (Note A)		(4,372,845)	1,560,504
Cash generated from operations		9,960,332	7,110,262
Income tax paid		(914,796)	(67,595)
NET CASH FROM OPERATING ACTIVITIES		9,045,536	7,042,667
INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note A)		(2,083,576)	(4,653,690)
Proceeds from disposal of joint venture		-	275,087
Proceeds from disposal of business	26	-	10,413,963
Proceeds from disposal of property, plant and equipment		926,185	1,586,230
Interest received		14,401	-
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,142,990)	7,621,590
FINANCING ACTIVITIES			
Borrowing from banks		-	463,643
Repayment of bank borrowings		(4,159,272)	(14,817,738)
Deferred finance expenses		-	(21,283)
Increase in restricted cash at bank		(7,351)	(13,171)
Interest paid		(3,858,636)	(3,703,729)
NET CASH USED IN FINANCING ACTIVITIES		(8,025,259)	(18,092,278)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(122,713)	(3,428,021)
EFFECT OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS		(163,665)	193,679
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,943,979	6,178,321
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 18)		2,657,601	2,943,979

Note A:
Net cash outflow of US$2,083,576 (2017 : US$4,653,690) comprises purchase of plant and equipment of US$3,511,648 (2017 : US$5,298,840) of which US$4,521,329 (2017 : US$3,093,257) was outstanding at the end of the reporting period (Note 20).

See accompanying notes to financial statements.

1. GENERAL

The Company is a limited company incorporated in British Virgin Islands with its registered office at Commerce House, Wickhams Cay 1, P.O.Box 3140, Road Town, Tortola, British Virgin Islands VG1110.

The Company's principal activity is investment holding. The principal activities of its subsidiaries are set out in Note 14 to the financial statements.

The Company was established to hold 100% equity interest in Modex Asia Ltd. and its subsidiaries for a consideration of US$15,341,272 which was satisfied by issuing 12,000 new ordinary shares to the holding company. The restructuring exercise was considered to be a business combination involving entities under common control and was accounted for by applying the pooling of interest method. Accordingly, the assets and liabilities of these entities transferred had been included in the Group's financial statements at their carrying amounts.

The consolidated financial statements are presented in United States Dollars ("US$"), which is also the functional currency of the Company.

The consolidated financial statements of the Group for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 27 May 2019.

Basis of preparation

The Group reported a consolidated loss for the year of US$4,962,828 (2017 : US$10,813,008) for the year ended 31 December 2018 and as at the end of the reporting period, the Group's total current liabilities exceeded its total current assets by US$4,525,919 (2017 : US$93,305,928). In addition, the Group breached certain financial covenants as at 31 December 2017. To address these issues, the Group negotiated a standstill agreement with the banks to ensure its future viability whilst negotiating on the restructuring of the outstanding indebtedness of the Group under the facility agreement ("Facility Agreement"). Prior to the maturity date of the debt repayment on 17 November 2017, the Group entered into a term sheet ("Term Sheet") with the lenders. Based on the Term Sheet, the maturity date of the loan was extended to 31 March 2018 and several waivers on the non-compliance of the financial covenants and events of defaults had been granted on the conditions of specific amendments and conditions to the Facility Agreement satisfactory to the lenders. On 26 June 2018, the lenders had approved on the extension of key terms till 31 July 2018, and the debt was refinanced successfully with the financial institutions on 27 July 2018 ("Effective Date"). Further details on the renewed facility are disclosed in Note 21 to the financial statements.

In addition to the above, during the reporting period, a shareholder of the Group has waived the loan of US$1,500,000 granted to the Group. Furthermore, certain shareholders of the Group have given an undertaking to provide financial support to the extent of US$3,600,000 up to 20 June 2019 to enable the Group to continue as a going concern.

Based on the above, the directors believe that the Group will have adequate resources to repay its debts as and when they fall due and expect the Group to be in compliance with its financial covenants. As a result, the financial statements of the Group have been prepared on the basis of a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 Share-based Payment, leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 Inventories or value in use in FRS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2018. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

FRS *109 Financial Instruments*

FRS 109 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

The Group applied FRS 109 with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under FRS 39. There was no material impact on adoption of FRS 109.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Classification and measurement of financial assets and financial liabilities

The Group has applied the requirements of FRS 109 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The classification of financial assets is based on two criteria: the Group's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. There are no changes in classification and measurement of the Group's financial assets and financial liabilities.

(b) Impairment of financial assets

FRS 109 requires an expected credit loss model as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, FRS 109 requires the Group to recognise a loss allowance for expected credit losses on i) debt instruments subsequently measured at amortised cost or at FVTOCI, ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of FRS 109 apply.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* and the related Interpretations. FRS 115 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Details of these new requirements as well as their impact on the financial statements are described below.

The Group has applied FRS 115 using the modified retrospective method with the cumulative effect of initially applying this Standard recognised at the date of initial application (1 January 2018) as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under FRS 11, FRS 18 and the related Interpretations.

FRS 115 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in FRS 115 to describe such balances.

The Group's significant accounting policies for its revenue streams are disclosed below. There was no material impact from adoption of FRS 115.

NEW/REVISED STANDARDS AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED - The Group has not applied the following accounting standard that is relevant to the Group which were issued as at the date of authorisation of these financial statements but not yet effective:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 116 Leases (Effective for annual periods beginning on or after 1 January 2019)

FRS 116 was issued in June 2016 and will supersede FRS 17 Leases and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management anticipates that the initial application of the new FRS 116 will result in changes to the accounting policies relating to all obligations for non-cancellable leases (other than the exceptions above) which will be recognised as liabilities with a corresponding recognition of right-of-use assets. Note 25 provides information on the existing lease obligations at 31 December 2018. Additional disclosures will also be made with respect of obligations for non-cancellable leases and right-of-use assets, including any significant judgement and estimation made.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

BUSINESS COMBINATIONS OF ENTITIES UNDER COMMON CONTROL - Business combination involving entities under common control is accounted for by applying the pooling of interest method. Accordingly, the assets and liabilities of these entities transferred have been included in the Group's financial statements at their carrying amounts. The comparative figures will be included to present the financial position, results of operations, changes in equity and cash flows as if the businesses had always been combined since the beginning of the earliest period. The difference between the consideration for the acquisition and the value of net assets acquired is included in merger reserve as a separate component within equity.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition.

Financial assets (before January 1, 2018)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Loans and receivables

Loan and receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting would be immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets (from January 1, 2018)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Classification of financial assets

Debt instruments mainly comprise cash and bank balances and trade and other receivables that meet the following conditions and are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Forward looking information considered includes the future prospects of the industries or countries in which the company's debtors operate in, as well as consideration of various external sources of actual and forecast economic information available that relate to the company's operations, and the company accordingly adjusts the historical loss rates based on expected changes in these factors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method, except for short-term balances when the effect of discounting is immaterial.

Bank loans

Interest-bearing bank loans are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowing in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	5 years or over the terms of the relevant leases, if shorter
Furniture, fixtures and equipment	3 to 5 years
Plant and equipment	12 to 25 years
Motor vehicles	4 to 8 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

No depreciation is provided on assets under construction.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

INTANGIBLE ASSETS - Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION (before January 1, 2018) - Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

REVENUE RECOGNITION (from January 1, 2018) - The Group recognises revenue from sale of components and rental of the components. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to the customer.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure or qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATIONS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (and tax bases) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised to profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in United States dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve (attributed to non-controlling interest, as appropriate).

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below:

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Impairment assessment of property, plant and equipment

At the end of each reporting period, management assesses the carrying amount of the Group's property, plant and equipment to determine whether there are any indications of impairment for which an allowance is required. Management determines the recoverable value of the property, plant and equipment based on the calculated value-in-use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using a pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts.

The carrying amount of the Group's property, plant and equipment is disclosed in Note 11 to the financial statements.

Useful lives of property, plant and equipment

In applying the accounting policy for property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. The carrying amount of property, plant and equipment is disclosed in Note 11 to the financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit ("CGU") and a suitable discount rate in order to calculate the present value. As at 31 December 2018, the carrying amount of the Group's goodwill amounted to US$40,204,969 (2017 : US$42,242,179). Further details are disclosed in Note 12 to the financial statements.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amount of the Group's trade and other receivables as at the end of the reporting period are disclosed in Note 16 to the financial statements.

Impairment assessment of intangible assets

The Group follows the guidance of FRS 36 *Impairment of Assets* in assessing annually whether intangible assets have any indication of impairment. Where there are indications, management would estimate the value in use of the intangible assets. The value in use calculation requires the Group to estimate the future cash flows expected from the CGU and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the carrying amount of those assets based on such estimates and is confident that the allowance for impairment, where necessary, is adequate.

The carrying amounts of the Group's intangible assets are disclosed in Note 13 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group	
	2018	2017
	US$	US$
Financial assets		
Amortised cost	12,481,152	14,292,441
Financial liabilities		
Amortised cost	104,141,800	113,702,326

(b) *Financial risk management policies and objectives*

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include foreign exchange risk, interest rate risk, liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk management

Several subsidiaries of the Company have foreign currency sales/purchases denominated in currencies other than the entity's functional currency, which expose the Group to foreign currency risk. The Group's trade receivable and trade payable balances as at the end of the reporting period also had foreign currency exposures. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly in Singapore Dollar ("SGD"), Norwegian Krone ("NOK"), Australian dollar ("AUD"), Euro ("EUR"), Malaysian Ringgit ("MYR") and Great British Pound ("GBP"). The Group has short-term bank borrowings denominated in United States dollar.

The Company has a number of investments in foreign subsidiaries, particularly the subsidiary in Norway whose net assets are exposed to currency translation risk from NOK to US$.

If the Norwegian Krone had been 5% higher or lower and all other variables were held constant, the Group's net assets would increase/decrease by US$2,027,459 (2017 : US$2,267,318).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(ii) Interest rate risk management

The Group's cash flow interest rate risk primarily relates to bank balances. The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated. The management considers that interest rate risk on bank balances is insignificant.

Interest rates for the loans from former shareholders and related parties and shareholders' loan are fixed at the date of inception.

The Group's variable rate bank loan is exposed to a risk of change in cash flows due to changes in interest rates.

The Group adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance and/or refinance its working capital requirement.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the financial period would increase/decrease by US$366,018 (2017 : US$405,396). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loan.

(iii) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and bank loan.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of the bank loan and compliance with loan covenants.

As set out in Note 1 to the financial statements, with the successful refinancing of the loan facility agreement, undertaking of financial support to the extent of US$3,600,000 from certain shareholders of the Group and waiver of a shareholder's loan of US$1,500,000, the directors believe that the Group will have adequate resources to repay its debts as and when they fall due and expect the Group to be in compliance with its financial covenants.

In 2017, all financial liabilities of the Group, based on the agreed repayment terms, are due within one year from the end of the reporting period, except for the amount due to a third party amounting to US$2,448,107 as disclosed in Note 20 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the consolidated statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US$	US$	US$	US$	US$
Group						
2018						
Non-interest bearing	-	15,707,955	-	-	-	15,707,955
Shareholders' loan (fixed)	7.00	10,700,000	-	-	(700,000)	10,000,000
Unsecured loan (fixed)	5.00	2,921,300	-	-	(139,110)	2,782,190
Non-current other payables (fixed)	10.00	-	2,692,918	-	(244,811)	2,448,107
Bank borrowing (variable)	3.25	6,043,129	76,743,949	-	(9,583,530)	73,203,548
		35,372,384	79,436,867	-	(10,667,451)	104,141,800

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US$	US$	US$	US$	US$
Group						
2017						
Non-interest bearing	-	14,870,188	-	-	-	14,870,188
Shareholders' loan (fixed)	7.00	12,707,500	-	-	(1,207,500)	11,500,000
Unsecured loan (fixed)	5.00	3,210,562	-	-	(152,884)	3,057,678
Current other payable (fixed)	10.00	859,233	-	-	(112,074)	747,159
Non-current other payables (fixed)	10.00	-	2,815,323	-	(367,216)	2,448,107
Bank borrowing (variable)	3.78	83,586,798	-	-	(2,507,604)	81,079,194
		115,234,281	2,815,323	-	(4,347,278)	113,702,326

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial assets on the statements of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US$	US$	US$	US$	US$
Group						
2018						
Non-interest bearing	-	12,481,152	-	-	-	12,481,152
2017						
Non-interest bearing	-	14,292,441	-	-	-	14,292,441

(iv) Credit risk management

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

The table below details the credit quality of the Group's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
2018						
Trade receivables	16	(i)	Lifetime ECL (simplified approach)	10,966,635	(1,793,390)	9,713,245
Other receivable	16	Performing	12-month ECL	282,433	-	282,433
					(1,793,390)	

(i) The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties. Cash is held with creditworthy institutions and is subject to immaterial credit loss.

The Group's credit risk is concentrated with 3 customers (2017 : 4 customers), which account for 30% (2017 : 39%) of the total trade receivables balance.

Further details of credit risks on trade and other receivables are disclosed in Note 16.

(v) Fair value of financial assets and financial liabilities

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, bank loan and shareholders' loan approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

(vi) Capital management policies and objectives

The Group reviews its capital structure at least annually to ensure that the Group will be able to continue as a going concern. The capital structure of the Group comprises only bank loan, shareholders' loan, issued capital and capital reserve as disclosed in Notes 21, 22, 24 and 25 respectively. The Group's overall strategy remains unchanged from prior year.

5 RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of Modex Holding Limited's group of companies.

Many of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transaction between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note.

6 OTHER RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel during the year are as follows:

	THE GROUP	
	2018	2017
	US$	US$
Director fees	150,185	139,493
Salaries and short-term benefit	501,016	488,757
Total	651,201	628,250

7 REVENUE

Revenue represents the invoiced value of goods sold and rental income received and receivable by the Group during the year:

	THE GROUP	
	2018	2017
	US$	US$
Sale of containers	10,382,858	12,352,523
Rental income	33,009,666	31,374,837
	43,392,524	43,727,360

A disaggregation of the Group's revenue for the year is as follows:

	THE GROUP	
	2018	2017
	US$	US$
Over time		
Rental income	33,009,666	31,374,837
At a point in time		
Sale of containers	10,382,858	12,352,523

8 OTHER OPERATING INCOME

	THE GROUP	
	2018	2017
	US$	US$
Share of profit of joint venture	-	243,827
Reimbursement income from customer	1,314,874	-
Yard rental income	180,000	15,000
Others	106,579	154,925
	1,601,453	413,752

9 FINANCE COSTS

	THE GROUP	
	2018	2017
	US$	US$
Interest on bank loans (Note 21)	4,332,715	4,610,985
Interest on shareholder's loan (Note 22)	937,996	1,034,775
Others	3,055	214,358
	5,273,766	5,860,118

10 INCOME TAX EXPENSE (CREDIT)

	THE GROUP	
	2018	2017
	US$	US$
Current tax:		
- Current year	96,998	537,356
Deferred tax:		
- Current year (Note 23)	(1,496,804)	(580,502)
- Prior year (Note 23)	-	-
Withholding tax	266,151	129,945
	(1,133,655)	86,799

The Company operates in British Virgin Islands for which its profits are not subject to tax. Taxation for other jurisdictions is calculated at the rates ranging from 10% to 30% (2017 : 10% to 34%) prevailing in the relevant jurisdictions.

Tax charge (credit) for the year can be reconciled to the loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	THE GROUP	
	2018	2017
	US$	US$
Loss before taxation	(6,096,483)	(10,726,209)
Tax benefit at statutory tax rates in respective jurisdiction	(1,195,756)	(2,132,614)
Tax effect of expenses that are not deductible for tax purposes	1,846,571	2,251,322
Tax effect of income that is not taxable for tax purposes	(600,400)	(331,187)
Utilisation of previously unrecognised deferred tax assets	(1,896,817)	(31,182)
Effect of different tax rates and changes in future tax rates	(180,203)	(1,229,268)
Tax effect of deferred tax benefits not recognised	633,162	1,422,483
Withholding tax	266,151	129,945
Others	(6,363)	7,300
Tax expense (credit) for the year	(1,133,655)	86,799

At 31 December 2018, the Group has unutilised capital allowances and tax losses of approximately US$24,088,000 (2017: approximately US$26,332,000) available for offset against future taxable profits. No capital allowances and tax losses have been recognised as deferred tax assets due to the uncertainty of its realisation.

As at the end of the reporting period, the Group has capital allowances and tax losses carry forward available for offsetting against future taxable income as follows:

THE GROUP	Accelerated tax depreciation	Unabsorbed capital allowances	Unutilised tax losses	Total
	US$	US$	US$	US$
At 1 January 2017	(8,540,977)	20,229,799	7,791,902	19,480,724
Adjustments	(1,006,016)	(1,573,259)	-	(2,579,275)
Utilised during the year	-	-	(103,939)	(103,939)
Arising during the year	(2,577,206)	10,944,754	-	8,367,548
At 31 December 2017	(12,124,199)	29,601,294	7,687,963	25,165,058
Adjustments	820,459	(7,778,957)	141,850	(6,816,648)
Utilised during the year	-	(9,415,906)	(698)	(9,416,604)
Arising during the year	16,609,167	-	1,011,173	17,620,340
At 31 December 2018	5,305,427	12,406,431	8,840,288	26,552,146
Deferred tax benefit on above not recorded as at 31 December 2018	1,469,218	2,109,093	2,069,474	5,647,785
Deferred tax benefit on above not recorded as at 31 December 2017	(1,750,059)	5,032,220	1,732,462	5,014,623

Deferred tax assets had not been recognised in respect of the above capital allowances and tax losses carry forward and income tax benefit arising from the difference between tax over book depreciation due to uncertainties in the future profit streams.

11 PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Leasehold improvements US$	Furniture, fixtures and equipment US$	Plant and equipment US$	Motor vehicles US$	Assets under construction US$	Total US$
COST						
At 1 January 2017	409,349	2,183,591	156,779,061	563,794	146,763	160,082,558
Additions	13,417	30,954	4,337,495	-	916,974	5,298,840
Disposals	-	(65,140)	(4,410,113)	(52,630)	-	(4,527,883)
Disposal of business (Note 26)	-	-	(3,902,633)	(219,122)	-	(4,121,755)
Reclassification	-	-	855,992	-	(855,992)	-
Exchange realignment	27,124	128,647	5,285,006	17,233	2,227	5,460,237
At 31 December 2017	449,890	2,278,052	158,944,808	309,275	209,972	162,191,997
Additions	9,252	74,378	3,428,018	-	-	3,511,648
Disposals	-	-	(2,535,191)	(185,517)	-	(2,720,708)
Reclassification	-	-	79,436	-	(79,436)	-
Exchange realignment	(33,676)	(156,678)	(6,550,961)	(19,397)	-	(6,760,712)
At 31 December 2018	425,466	2,195,752	153,366,110	104,361	130,536	156,222,225

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold improvements US$	Furniture, fixtures and equipment US$	Plant and equipment US$	Motor vehicles US$	Assets under construction US$	Total US$
ACCUMULATED DEPRECIATION						
At 1 January 2017	217,643	1,659,036	21,941,150	205,070	-	24,022,899
Provided for the year	67,656	264,053	11,054,919	99,303	-	11,485,931
Eliminated on disposals	-	(14,549)	(2,911,878)	(15,226)	-	(2,941,653)
Disposal of business (Note 26)	-	-	(625,870)	(63,392)	-	(689,262)
Exchange realignment	16,700	111,849	718,369	14,353	-	861,271
At 31 December 2017	301,999	2,020,389	30,176,690	240,108	-	32,739,186
Provided for the year	48,155	131,730	10,729,002	24,565	-	10,933,452
Eliminated on disposals	-	-	(352,360)	(176,962)	-	(529,322)
Exchange realignment	(25,012)	(147,108)	(2,071,001)	(19,340)	-	(2,262,461)
At 31 December 2018	325,142	2,005,011	38,482,331	68,371	-	40,880,855
CARRYING VALUES						
At 31 December 2018	100,324	190,741	114,883,779	35,990	130,536	115,341,370
At 31 December 2017	147,891	257,663	128,768,118	69,167	209,972	129,452,811

12 GOODWILL

	THE GROUP	
	2018	2017
	US$	US$
As at 1 January	42,242,179	46,627,181
Disposal of business (Note 27)	-	(6,073,792)
Exchange realignment	(2,037,211)	1,688,790
At 31 December	40,204,969	42,242,179

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	THE GROUP	
	2018	2017
	US$	US$
Modex AS (formerly known as Euro Offshore AS)	23,577,039	25,614,249
Gauthiers' Oilfield Rentals LLC	16,627,930	16,627,930
	40,204,969	42,242,179

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. No impairment loss has been recognised for the Group based on the above basis.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years based on an estimated growth rate of 5% to 41% (2017 : 0% to 54%).

The average rate used to discount the forecast cash flows from the Group is 11.7% (2017 : 10.84%).

No impairment loss has been recognised for the Group based on the above basis.

The Group prepares cash flow forecasts derived from the most recent financial results and takes into account industry growth forecasts for the next five years. The carrying amount of goodwill as at 31 December 2018 was US$40,204,969 (2017 : US$42,242,179) with no impairment adjustment required for 2018. If the discount rate increases to above 13.26% (2017 : 11.83%) or the average utilisation decreases by more than 6.1% (2017 : 2.7%) over the next 5 years, with all other variables remaining constant, the recoverable value will be lower than the carrying value.

13 INTANGIBLE ASSETS

	Customer relationships US$	Supplier relationships US$	Brand name US$	Computer software US$	Total US$
THE GROUP					
COST					
At 1 January 2017	15,198,923	768,547	5,313,889	974	21,282,333
Disposal (Note 26)	(667,200)	-	-	(974)	(668,174)
Exchange realignment	782,364	54,249	105,446	-	942,059
At 31 December 2017	15,314,087	822,796	5,419,335	-	21,556,218
Exchange realignment	(943,777)	(65,440)	(127,202)	-	(1,136,419)
At 31 December 2018	14,370,310	757,356	5,292,133	-	20,419,799
AMORTISATION					
At 1 January 2017	7,947,976	497,010	958,693	974	9,404,653
Charge for the year	2,121,573	158,260	484,541	-	2,764,374
Disposal (Note 26)	(222,400)	-	-	(974)	(223,374)
At 31 December 2017	9,847,149	655,270	1,443,234	-	11,945,653
Charge for the year	2,078,817	162,262	487,134	-	2,728,213
Exchange realignment	(1,217,842)	(85,422)	(55,347)	-	(1,358,611)
At 31 December 2018	10,708,124	732,110	1,875,021	-	13,315,255
CARRYING VALUES					
At 31 December 2018	3,662,186	25,246	3,417,112	-	7,104,544
At 31 December 2017	5,466,938	167,526	3,976,101	-	9,610,565

Customer relationships are network distributors through which the Group indirectly sells to the end customers by geographical region. The carrying amount of customer relationships at 31 December 2018 is US$3,662,186 (2017 : US$5,466,938). The average remaining amortisation period is 1 to 5 years (2017 : 2 to 6 years).

Amortisation period for supplier relationships and brand name is 5 years and 10 to 15 years respectively.

14 INVESTMENT IN SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name	Issued and fully paid-up capital/ contributed capital	Portion of nominal value of issued/registered capital held by the Company 2018	2017	Place of registration/ incorporation	Principal activities
Held by the Company					
Modex Asia Ltd.	US$79,949,999	100%	100%	Hong Kong	Investment holding
Held by the Modex Asia Ltd.					
Modex Australia Pty Ltd	AUD$1	100%	100%	Australia	Trading and leasing of containers
Modex Energy Do Brasil Services LTDA	BRL1,067,243	100%	100%	Brazil	Trading and leasing of containers
Modex Energy Rentals LLC	US$12,565,190.72	100%	100%	Marshall Islands	Leasing of containers
Modex Production Limited	HKD$1,000	97%	97%	Hong Kong	Investment holding
Modex Singapore Pte. Ltd.	SGD$10,010	100%	100%	Singapore	Trading and repair of oil and gas field equipment
Modex Manufacturing Limited	HKD1	100%	100%	Hong Kong	Investment holding
Modex Middle East FZE	-	100%	100%	United Arab Emirates	Leasing of containers

14 INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Issued and fully paid-up capital/ contributed capital	Portion of nominal value of issued/registered capital held by the Company 2018	2017	Place of registration/ incorporation	Principal activities
Bluedex Pte. Ltd. (Note A)	-	-	-	Singapore	Trading of oil and gas related equipment
Held by Modex Production Limited					
Modex Energy Services Limited	HKD$1	97%	97%	Hong Kong	Trading of containers
Held by Modex Singapore Pte. Ltd.					
Modex AS (formerly known as Euro Offshore AS)	NOK 2,500,000	100%	100%	Norway	Trading and leasing of containers
Euro Offshore Holding	NOK 1,000,000	100%	100%	Norway	Investment holding
Held by Modex Energy Rentals LLC					
Modex Energy Rentals Singapore Pte. Ltd offshore	SGD$1	100%	100%	Singapore	Ownership and leasing containers
Held by Modex Energy Rentals Singapore Pte. Ltd.					
Modex USA Holding	US$10	100%	100%	United States of America	Investment holding
Held by Modex USA Holding					
Gauthier Homes Inc. ("GHI")	-	100%	100%	United States of America	Ownership and leasing offshore containers
Gauthiers' Oilfield Rentals LLC offshore ("GOR")	-	100%	100%	United States of America	Ownership and leasing containers

Note A: The Group is deemed to have 100% economic interest in Bluedex Pte. Ltd. at the end of the reporting period based on its effective control. Subsequent to the end of the reporting period, Bluedex Pte. Ltd. has voluntary struck off in January 2019.

15 INVENTORIES

	THE GROUP	
	2018	2017
	US$	US$
Work in progress	-	180,167
Finished goods	2,010,821	2,019,147
	2,010,821	2,199,314

16 TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2018	2017
	US$	US$
Trade receivables - outside parties	10,966,635	11,432,584
Trade receivables – loss allowance	(1,793,390)	(1,010,875)
	9,173,245	10,421,709
Other receivables - outside parties	282,433	602,307
	9,455,678	11,024,016

The average credit period on sale of goods is 60 days (2017 : 60 days). No interest is charged on the outstanding balance.

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The movements in credit loss allowance are as follows:

	2018
	US$
Balance at beginning of the year	1,010,875
Adoption of FRS 109 (Note 2)	-
Balance at beginning of the year (Adjusted)	1,010,875
Loss allowance recognised in profit or loss during the year on:	
- Assets originated	786,238
- Reversal of unutilised amounts	-
- Changes in credit risk	-
Exchange difference	(3,723)
Balance at end of the year	1,793,390

Previous accounting policy for impairment of trade receivables

In 2017, doubtful debt allowances for trade receivables were determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. Allowances of US$1,010,875 were made based on collective assessment of receivables over 90 days because historical experience was such that receivables that were past due beyond 90 days were generally not recoverable.

The table below is an analysis of trade receivables as at 31 December:

	THE GROUP 2017 US$
Not past due and not impaired	6,964,639
Past due but not impaired	3,457,070
	10,421,709

Aging of receivables that are past due but not impaired:

	THE GROUP 2017 US$
1 to 30 days	1,089,276
31 to 60 days	1,056,412
61 to 90 days	403,901
Over 90 days	907,481
	3,457,070

Movement in the allowances doubtful debts:

	THE GROUP 2017 US$
Balance at beginning of the year	72,182
Additional during the year	964,603
Bad debt written off during the year	(31,431)
Exchange difference	5,521
Balance at the end of the year	1,010,875

Management believed that trade receivables that were neither past due nor impaired were with creditworthy counterparties.

17 DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2018 US$	2017 US$
Deposits	147,176	111,100
Prepayments	1,813,291	2,011,861
Balance at the end of the year	1,960,467	2,122,961

18 BANK BALANCES AND CASH

	THE GROUP	
	2018	2017
	US$	US$
Cash at banks	2,657,601	2,943,979
Restricted cash at bank	220,697	213,346
	2,878,298	3,157,325
Less: Restricted cash at bank	(220,697)	(213,346)
Cash and cash equivalents as presented in consolidated statements of cash flows	2,657,601	2,943,979

Restricted cash at bank is related to salary taxes withheld for the employees in Norway subsidiaries.

19 TRADE PAYABLES

	THE GROUP	
	2018	2017
	US$	US$
Trade payables – outside parties	12,681,577	9,255,441

The average credit period on purchases of goods is 3 months (2017 : 3 months). No interest is charged on the outstanding balance of trade payables.

20 OTHER PAYABLES AND ACCRUALS

	THE GROUP	
	2018	2017
	US$	US$
Current		
Other payables - outside parties	3,496,608	4,428,008
Accruals	2,311,960	4,991,576
	5,808,568	9,419,584
Non-current		
Other payables - outside party	2,448,107	2,448,107

Included in the Group's other payables are loans from former shareholders and a related party amounting to US$2,782,190 (2017 : US$3,057,678) and US$Nil (2017 : US$747,159) respectively. The loans from former shareholders and a related party are unsecured, bears fixed interest at 5% and 10% per annum respectively and repayable only when the existing bank loans have been repaid.

During the reporting period, the loan from a related party amounting to US$747,159 has been fully settled before the related party applied for voluntary strike off as disclosed in Note 14 to the financial statements.

20 OTHER PAYABLES AND ACCRUALS (cont'd)

On 1 June 2016, the Company entered into an Equipment Purchase Agreement with a third party ("Seller") for the purchase of containers, for a consideration of US$3,870,562, which management had assessed it as being the fair value of the containers at the date of the transaction. At the same time, the Company entered into a lease agreement with the Seller to lease back the same equipment for a period of 6 years at a fixed rental amount. Under the terms of the lease agreement, the Company has granted an option to the Seller to acquire the containers at the end of the sixth year for a consideration of US$2,448,107 ("Purchase Option Price").

The consideration for the acquisition of the containers to be satisfied as follows:

(a) US$1,422,455 ("First Purchase Price") paid within 7 days from the date of the Equipment Purchase Agreement;

(b) US$2,448,107 ("Second Purchase Price") payable at the end of sixth year or by way of offset against the Purchase Option Price if the option is exercised by the Seller.

The Second Purchase Price bears a fixed interest rate of 10% per annum over the term of lease and remains outstanding as at the end of the reporting period. As the amount is repayable at the end of the sixth year, the amount has been classified under non-current liability.

Management has assessed the terms of the lease at its inception and concluded that it is an operating lease as the Company is exposed to significant risks and returns associated with the ownership and control of the containers and it is not reasonably certain that the purchase option will be exercised as it is not considered a bargain purchase option.

21 LOANS

	THE GROUP	
	2018	2017
	US$	US$
Secured		
- carrying amount of bank loans that are repayable more than 2 years, but not exceeding 5 years	70,866,188	-
- carrying amount of bank loans that are repayable within one year from the end of the reporting period	2,337,360	81,079,194
	73,203,548	81,079,194

The Group has complied with all the financial covenants as at 31 December 2018. During the financial year, the loans were refinanced successfully with the financial institutions on 27 July 2018 ("Effective Date").

Based on the renewed loan facility agreement above, the term loan bears an aggregate interest of the applicable margin ranging from 3.00% to 4.00% per annum by reference to the ratio of Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") at the beginning of each interest period, plus London Interbank Offered Rate ("LIBOR") if the loan is denominated in United States Dollar, and Norway Interbank Offered Rate ("NIBOR") if the loan is denominated in Norwegian Kroner. This renewed loan facility will continue to be subject to certain revised financial covenants at the end of each fiscal quarter end, secured by legal mortgages over the Group's plant and equipment (Note 11) and corporate guarantees by certain related companies, and will be repayable by consecutive quarterly instalments ranging from US$1.275 million to US$1.5 million with the quarter commencing on the Effective Date and a final single instalment of the remaining balance on 27 July 2021.

21 LOANS (cont'd)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2018	Financing cash flow [1]	Other changes [2]	31 December 2018
	US$	US$	US$	US$
Bank loans (Note 21)	81,079,194	(4,159,272)	(3,716,374)	73,203,548
Shareholders' loan (Note 22)	11,500,000	-	(1,500,000)	10,000,000
	92,579,194	(4,159,272)	(5,216,374)	83,203,548

	1 January 2017	Financing cash flow [1]	Other changes [2]	31 December 2017
	US$	US$	US$	US$
Bank loans (Note 21)	94,999,172	(18,079,107)	4,159,129	81,079,194
Shareholders' loan (Note 22)	11,500,000	-	-	11,500,000
	106,499,172	(18,079,107)	4,159,129	92,579,194

[1] The cash flows make up the net amount of proceeds from bank loans and repayments of bank loans in the statement of cash flows.

[2] Other changes include interest accruals, payments and waiver of loan.

22 SHAREHOLDERS' LOANS

In 2015, the shareholder of the Group granted a loan of US$10,000,000 for a term until the later of (i) 19 November 2017 and (ii) the date on which all outstanding indebtedness under the bank loan agreement have been paid in full (the "Maturity Date") for the purpose of acquisition of 100% business interest and ownership in Gauthier Homes Inc and Gauthiers' Oilfield Rental by Modex Energy Rentals Singapore Pte Ltd, one of the subsidiaries of the Group. Interest is chargeable at 7% per annum compounded annually on the principal and payable monthly by the end of the month. . No dividend shall be made by Modex to its shareholders, unless and until all principal, interest, and other outstanding sums of the loan facility has been fully repaid (and in accordance with the provisions of the Facility Agreement).

22 SHAREHOLDERS' LOANS (cont'd)

In 2016, another shareholder of the Group granted a loan of US$1,500,000 for a term until the later of (i) 19 November 2017 and (ii) the date on which all outstanding indebtedness under the bank loan agreement have been paid in full (the "Maturity Date") for the purposes of capital expenditure and working capital. Interest is chargeable at 7% per annum compounded annually on the principal and payable monthly by the end of the month. No dividend shall be made by Modex to its shareholders, unless and until all principal, interest, and other outstanding sums of the loan facility has been fully repaid (and in accordance with the provisions of the Facility Agreement). During the financial year, the shareholder of the Group has waived this shareholder's loan of US$1,500,000 granted to the Group and its interest receivable of US$176,167.

23 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relate to the same fiscal authority.

The amounts, determined after appropriate offsetting, are shown on the consolidated statement of financial position as follows:

	THE GROUP	
	2018	2017
	US$	US$
Deferred tax liabilities	(7,065,482)	(9,595,137)

The movement in the deferred tax liabilities is as follows:

	THE GROUP	
	2018	2017
	US$	US$
As at 1 January 2018	9,595,137	9,369,589
Credit to profit or loss for the year (Note 10)	(1,496,804)	(580,502)
Exchange realignment and change in tax rate	(1,032,851)	806,050
As at 31 December 2018	7,065,482	9,595,137

As at the end of the reporting period, deferred tax liabilities comprised of the accelerated tax depreciation.

24 SHARE CAPITAL

	THE GROUP AND COMPANY	
	Number of ordinary shares	US$
Issued and paid up:		
At 1 January 2017	39,306	126,205,734
Cancellation of shares	(720)	-
At 31 December 2017 and 2018	38,586	126,205,734

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

25 RESERVES

In 2015, the capital reserve of US$3,000,000 relates to the contingent consideration payable in the acquisition of GOR and GHI upon the acquiree achieving the pre-determined financial performance targets by end of 2015 and 2016. This contingent consideration is to be satisfied by the issuance of shares in Modex Holding Limited. As the pre-determined financial performance targets were not achieved, hence no ordinary shares were being issued.

In 2016, the Group has acquired additional 17% shareholding of Modex Production Limited and its subsidiary. Under the business combination of entities under common control, the difference between the consideration for the acquisition and the value of net assets acquired amounting to US$678,994 is included in capital reserves as a separate component within equity.

In 2018, the capital reserve of US$1,676,167 arose from the waiver of shareholder's loan and its interest receivable during the financial year (Note 22).

26 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2018	2017
	US$	US$
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	2,632,053	2,371,381

Operating lease payments represent rental payable by the Group for certain of its office properties.

26 OPERATING LEASE ARRANGEMENTS (cont'd)

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payment under non-cancellable leases in respect of rented depot sites, machinery and equipment, which fall due as follows:

	2018 US$	2017 US$
Within one year	1,290,204	1,367,795
In second to fifth years inclusive	1,917,551	3,692,209
	3,207,755	5,060,004

The Group's depot sites, machinery and equipment leased out under operating leases with terms of one to five years without termination options granted.

27 DISPOSAL OF BUSINESS

On 1 December 2017, a subsidiary of the Group entered into an asset purchase agreement with a third party ("the acquirer") to dispose of part of its business operation relating to onshore business in accordance with the Term Sheet required by the lenders. The disposal was completed on 31 December 2017, on which date control of the business passed to the acquirer.

The gain on disposal is as follows:

	2017 US$
Consideration received/receivable	10,413,963
Less: Other receivables	(434,010)
Less: Goodwill derecognised	(6,073,792)
Less: Intangible assets derecognised	(444,800)
Less: Equipment derecognised	(3,432,493)
Gain on disposal	28,868

28 RESTATEMENT OF COMPARATIVE FIGURES

Presentation of consolidated statement of profit or loss and other comprehensive income has been changed from by function in the prior year's financial statements to by nature in the current year's financial statements to enhance comparability with the current year's financial statements to provide a more relevant and comparable information.

As a result, certain line items have been amended in the consolidated statement of profit or loss and other comprehensive income and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

28 RESTATEMENT OF COMPARATIVE FIGURES (cont'd)

	Previously reported 2017 US$
Revenue	43,727,360
Cost of sales	(30,721,713)
Gross profit	13,005,647
Other income	187,165
Other expenses	(1,100,675)
Selling, general and administrative expenses	(16,890,114)
Finance costs	(5,928,232)
Loss before taxation	(10,726,209)

	After reclassification 2017 US$
Revenue	43,727,360
Direct cost	(19,666,794)
Interest income	17,240
Other operating income	413,752
Amortisation of intangibles assets	(2,764,374)
Depreciation of plant and equipment	(11,485,931)
Employee benefits expense	(9,786,800)
Finance costs	(5,860,118)
Other operating expenses	(5,320,544)
Loss before taxation	(10,726,209)

29 EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, Modex Australia Pty Ltd, a subsidiary of the Group entered into an asset purchase agreement with a third party to dispose off its plant and equipment, amounting to AUD3,689,686 (approximately US$2,650,725) at the consideration of AUD3,000,000 (approximately US$2,155,245). The disposal was completed in May 2019.

APPENDIX 3

LOAN DESCRIPTION

Term sheet written in connection with application for registration on Nordic ABM

Date: 2 September 2021 **Final** ISIN: NO0010932460

Modex AS FRN Senior Secured NOK 550 000 000 bonds 2021/2026

Terms:	
Documentation: *The Loan Agreement [1)] is described more closely in Standard Terms*	Before investing in the bond, the investor is encouraged to become familiar with relevant documents such as this term sheet, the Loan Agreement and the Issuer's financial accounts and articles of association and if relevant, listing document, cf. ABM-rules section 2.7.2.3. The documents are available from the Issuer and in Relevant Places. In the case of any discrepancies between the Loan Agreement and this term sheet, the Loan Agreement will apply.
Relevant Places:	www.oslobors.no
Issuer/Borrower:	Modex AS
Borrowing Limit – Tap Issue:	NOK 550,000,000
First Tranche / Loan Amount: [2)]	NOK 550,000,000
Disbursement Date: [3)]	2 March 2021
Maturity Date: [4)]	2 March 2026
NIBOR: [5)]	NIBOR reference rate of interest (3 months)
Margin:	7.75%
Interest Rate: [6)]	7.99% as per the date of this Loan Description (NIBOR + Margin)
Day Count Fraction– Interest Rate:	On an actual / 360-days basis
Interest Payment Date: [7)] [9)]	2 March, 2 June, 2 September and 2 December each year until redemption
Business Day Convention: [8)]	The last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day unless that day falls in the next calendar month, in which case the Interest Period will be shortened to the first preceding Business Day (*Modified following*)
Interest accrual date (from and including)**:**	2 March 2021
Final interest payment date (to)**:**	2 March 2026 (Maturity date)
# days first term:	90 days
Status of the Loan [10)]	The Bonds shall constitute senior unsecured debt obligations of the Issuer, rank at least pari passu with the claims of the Issuer's other unsubordinated creditors, except for obligations which are mandatorily preferred by law. The Bonds will be secured on a pari passu basis with the other Secured Parties in respect of the Security, subject to the super senior status of the Revolving Credit Facility and the Permitted Hedging Obligations. The RCF Creditors and the Hedge Counterparties will receive Enforcement Proceeds prior to the Bondholders (but otherwise rank pari passu in right of payment with the Bonds) in accordance with the waterfall provisions of the Intercreditor Agreement.
Issue Price: [11)]	100% of par value
Denomination:	NOK 100,000
Call: [12)]	**Redemption Date(s):** On any Business Day — **Price:** Make whole amount prior to 2 September 2023; from 2 September 2023 to 2 March 2024, 104.10% of par; from 2 March 2024 to 2 March 2025, 103.28% of par; from 2 March 2025 to 2 September 2025, 101.64% of par; and from 2 September 2025 to 2 March 2026, 100.82% of par

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Issuer's org. number/LEI-code:	985 566 461 / 549300HV07S0EMQFPW71

Number / Codes:	**Sector Code:**	2100 (Private limited companies)	**Geographic code:**	4340 (Bryne, Norway)	**Industry (trade) Code:**	77.390 (Letting and leasing of other machines and other equipment and material not mentioned elsewhere)

Usage of funds:	The Issuer will use the net proceeds (net of fees and legal costs of the Manager and the Bond Trustee) from the issuance of the Bonds towards: (a) repayment of Existing Debt in full; and (b) the surplus (if any) for general corporate purposes.
Approvals / Permissions:	• The admission document has been inspected by Oslo Børs • The bonds have been issued with the issuer's board approval dated 26 February 2021
Trustee / Bondholders' Representative:	Nordic Trustee AS, Kronprinsesse Märthas plass 1, 0160 Oslo
Arranger(s):	Pareto Securities AS and Sparebank 1 SR-Bank Markets (part of Sparebank 1 SR-Bank Markets ASA)
Paying Agent:	Pareto Securities AS
Securities Depository:	Norwegian Central Securities Depository
FISN- and CFI-code	MODEX AS/VAR BD 20260225 / DBVGGR
Market making:	No market-maker agreement has been made for this Bond Issue.
MiFiD II target market of end clients:	Eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (MiFID II); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate.
Withholding tax: [13]	Gross-up
Special (distinct) conditions:	N/A
Supplementary information about the status of the loan and collateral: [10]	The Bonds are secured obligations of the Issuer. The Bonds are secured by the following security: (a) the Issuer Share Pledge; (b) first priority pledges over all the shares issued by each Guarantor (other than the Ultimate Parent) owned by a Group Company, including always HoldCo; (c) the Norwegian Bank Account Pledges; (d) the Additional Bank Account Pledges; (e) first priority assignment by way of a floating charge over: (1) the trade receivables (No. factoringpant); (2) the operating assets (No. driftstilbehørspant); and (3) the inventory (No. varelagerpant), in respect of (1) – (3) of each of the Issuer and any Guarantor incorporated in Norway; (f) first priority Mortgages of each Guarantor that is an Equipment Owner (other than any Obligor incorporated in Norway); (g) first priority assignment of monetary claims under the Insurance Policies of each of the Ultimate Parent, the Issuer any Guarantor; and (h) the Guarantees.

Standard Terms: *If any discrepancy should occur between this Loan Description and the Loan Agreement, then the Loan Agreement will apply.*

Loan Agreement: [1]	The Loan Agreement will be entered into between the Issuer and the Trustee prior to Disbursement Date. The Loan Agreement regulates the Bondholder's rights and obligations in relations with the Issue. The Trustee enters into this agreement on behalf of the Bondholders and is granted authority to act on behalf of the Bondholders to the extent provided for in the Loan Agreement. When bonds are subscribed/purchased, the Bondholder has accepted the Loan Agreement and is bound by the terms of the Loan Agreement. If subscription is made prior to finalisation of the Loan Agreement, the subscriber is deemed to have granted authority to the Trustee to finalise the Loan Agreement. For tap issues, the Loan Agreement will apply for later issues made within the Borrowing Limit. The parties' rights and obligations are also valid for subsequent issued bonds within the Borrowing Limit.
Open / Close: [3)4)]	Tap Issues will be opened on Disbursement Date and closed no later than five banking days before Maturity Date.
Disbursement Date: [3]	Payment of the First Tranche / Loan Amount takes place on the banking date ahead of the Disbursement Date as agreed with the Manager(s). In case of late payment, the applicable default interest rate according to "lov 17. desember 1976 nr 100 om renter ved forsinket betaling m.m." will accrue.

Expansions – Tap Issues: 2)	For Tap Issues the Issuer can increase the loan above the First Tranche/Loan Amount. For taps not falling on Interest Payment Dates, Accrued Interest will be calculated using standard market practice in the secondary bond market. The Issuer may apply for an increase of the Borrowing Limit.
Issue price – Tap Issues: 11)	Any taps under the Tap Issue will be made at market prices.
Interest Determination Date: 7)	2 Business Days prior to Date of Interest Payment Date
Interest Determination: 6)7)	The regulation of the Interest Rate is effective from each Interest Payment Date. The new interest rate is determined on Interest Determination Date based on NIBOR with additional margin. If the Interest Rate becomes negative, the Interest Rate is set to zero. The new interest rate and the next interest term/period will be notified the Bondholders in writing through the Securities Depository. The Trustee and Nordic ABM shall also be notified immediately.
NIBOR – definition: 5)	(Norwegian Interbank Offered Rate) Interest rate fixed for a defined period as distributed by Global Rate Set Systems (GRSS) at approximately 12.00 Oslo time on Interest Determination Date. In the event that this rate is not available, either a linear interpolation between the two closest interest rate periods using the same number of decimals, or another available interest rate for deposits for similar currency and period. If none of the above is available, the interest rate will be defined by the Bond Trustee in consultation with the issuer. In this latter case the rate will be set to the rate that is generally accepted by market participants as replacement for NIBOR or a rate that reflects the interest rate offered in the deposit market in NOK for the relevant Interest Period. NIBOR is calculated to two Business Days prior to every Interest Payment Date, rounded to the nearest hundredth of a percentage point, for the Interest Period stated. NIBOR applies with effect from each Interest Payment Date to the next Interest Payment Date. If NA is specified, Reference Rate does not apply.
Interest Period: 9)7)	The interest is due in arrears on the Interest Payment Date. The first interest period matures on the first Interest Payment Date after the Disbursement Date. The next period runs from this date until the next Interest Payment Date. The last period of interest ends on Maturity Date.
Accrued interest:	Accrued Interest for trades in the secondary bond market are calculated on the basis of current recommendations of Norsk Finansanalytikeres Forening (The Norwegian Society of Financial Analysts).
Standard Business Day Convention: 8)	Modified Following: If the Interest Payment Date is not a banking day, the Interest Payment Date shall be postponed to the next banking day. However, if this day falls in the following calendar month, the Interest Payment Date is moved to the first banking day preceding the original date.
Condition – Issuer's call option: 13)	Exercise of Call shall be notified by the Issuer to the Bondholders and the Bond Trustee at least ten Business Days prior to the relevant Call Date. Partial exercise of Call shall be carried out pro rata between the Bonds (according to the procedures in the Securities Register).
Registration:	The loan must prior to disbursement be registered in the Securities Depository. The bonds are being registered on each Bondholders account or nominee account in the Securities Depository.
Issuer's acquisition of bonds:	The Issuer has the right to acquire Bonds and to retain, sell or discharge such Bonds in the Securities Depository. Subordinated bonds may not be purchased, sold or dischared by the Issuer without the consent of Finanstilsynet, provided that such consent is required.
Amortisation: 4)	The bonds will run without instalments and be repaid in full on Maturity Date at par, provided the Issuer has not called the bonds.
Redemption:	Matured interest and matured principal will be credited each Bondholder directly from the Securities Registry. Claims for interest and principal shall be limited in time pursuant the Norwegian Act relating to the Limitation Period Claims of May 18 1979 no 18, p.t. 3 years for interest rates and 10 years for principal.
Sale:	Tranche 1/ Loan Amount has been sold by the Arranger(s). Later taps can also be made by other authorized investment firms.
Legislation:	Disputes arising from or in connection with the Loan Agreement, which are not resolved amicably, shall be resolved in accordance with Norwegian law and the Norwegian courts. Legal suits shall be served at the Trustee's competent legal venue.
Fees and expenses:	Any public fees payable in connection with the Bond Agreement and fulfilling of the obligations pursuant to the Bond Agreement shall be covered by the Issuer. The Issuer is not responsible for reimbursing any public fees levied on the trading of Bonds.
Withholding tax: 13)	The issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the bonds. In case of Gross up, the issuer shall be liable to gross up any payments in relation to the bonds by virtue of withholding tax, public levy or similar taxes. In case of No gross up, the issuer shall not be liable to gross up any payments in relation to the bonds by virtue of withholding tax, public levy or similar taxes.

Bryne, Norway, 2021

Modex AS

Pareto Securities AS

SpareBank 1 SR-Bank Markets
(part of SpareBank 1 SR-Bank ASA)

APPENDIX 4

BOND TERMS

Execution version

BOND TERMS

FOR

Modex AS FRN Senior Secured NOK 550,000,000 Bonds 2021/2026

ISIN NO0010932460

Contents

BOND TERMS between	
ISSUER:	Modex AS, a company existing under the laws of Norway with registration number 985 566 461 and LEI-code 549300HV07S0EMQFPW71;
ULTIMATE PARENT:	Modex Holding Limited, a private limited liability company incorporated in the British Virgin Islands with company number 1811668; and
BOND TRUSTEE:	Nordic Trustee AS, a company existing under the laws of Norway with registration number 963 342 624 and LEI-code 549300XAKTM2BMKIPT85.
DATED:	1 March 2021
These Bond Terms shall remain in effect for so long as any Bonds remain outstanding.	

1. INTERPRETATION

1.1 Definitions

The following terms will have the following meanings:

"**Accounting Standard**" means GAAP.

"**Additional Bank Account Pledge**" means the first priority charges of any additional bank accounts held by the Group required to at all times have deposited on pledged bank accounts no less than 70 per cent. of all cash held by the Group.

"**Adjusted Net Profit**" means the consolidated net profit (or loss) in accordance with the Accounting Standard according to the consolidated annual financial statements of the Ultimate Parent for the relevant calendar year, excluding any positive items of a one off, non-recurring, extraordinary or exceptional nature including, without limitation, any gain arising on a disposal of any asset outside the ordinary course of trading and excluding any loss arising on a disposal of any asset outside the ordinary course of trading and excluding any unrealised gains or losses on any assets and the tax effects thereof.

"**Affiliate**" means, in relation to any person:

(a) any person which is a Subsidiary of that person;

(b) any person who has Decisive Influence over that person (directly or indirectly); and

(c) any person which is a Subsidiary of an entity who has Decisive Influence over that person (directly or indirectly).

“**Agreed Security Principles**” means the security principles set out in Attachment 3 hereto.

“**Annual Financial Statements**” means the audited unconsolidated and consolidated annual financial statements of each of the Ultimate Parent and the Issuer for any financial year, prepared in accordance with the Accounting Standard, such financial statements to include a profit and loss account, balance sheet, cash flow statement and report of the board of directors.

“**Attachment**” means any schedule, appendix or other attachment to these Bond Terms.

“**Bond Terms**” means these terms and conditions, including all Attachments which form an integrated part of these Bond Terms, in each case as amended and/or supplemented from time to time.

“**Bond Trustee**” means the company designated as such in the preamble to these Bond Terms, or any successor, acting for and on behalf of the Bondholders in accordance with these Bond Terms.

“**Bond Trustee Fee Agreement**” means the agreement entered into between the Issuer and the Bond Trustee relating among other things to the fees to be paid by the Issuer to the Bond Trustee for the services provided by the Bond Trustee relating to the Bonds.

“**Bondholder**” means a person who is registered in the CSD as directly registered owner or nominee holder of a Bond, subject however to Clause 3.3 (*Bondholders’ rights*).

“**Bondholders’ Meeting**” means a meeting of Bondholders as set out in Clause 14 (*Bondholders’ Decisions*).

“**Bonds**” means (i) the debt instruments issued by the Issuer pursuant to these Bond Terms and (ii) any overdue and unpaid principal which has been issued under a separate ISIN in accordance with the regulations of the CSD from time to time.

“**Book Equity**” means total equity, including share capital, Subordinated Loans (which shall count as equity), share premium, retained earnings, current year's earnings, reserves and adjustments, attributable to the Group's shareholders plus minority interests, as per the balance sheet for the financial quarter preceding the relevant Quarter Date as set out in the relevant Financial Report.

“**Book Equity Ratio**” means Book Equity divided by Total Assets.

“**Business Day**” means a day on which both the relevant CSD settlement system is open and the relevant currency of the Bonds settlement system is open.

“**Business Day Convention**” means that if the last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day unless that day falls in the next calendar month, in which case the Interest Period will be shortened to the first preceding Business Day (*Modified Following*).

“**Calculation Date**” means each of 31 March, 30 June, 30 September and 31 December in each calendar year.

"**Call Option**" has the meaning given to it in Clause 10.2 (*Voluntary early redemption – Call Option*).

"**Call Option Repayment Date**" means the settlement date for the Call Option determined by the Issuer pursuant to Clause 10.2 (*Voluntary early redemption – Call Option*), paragraph (d) of Clause 10.3 (*Mandatory repurchase due to a Put Option Event*) or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

"**Cash and Cash Equivalents**" means on any date, the aggregate equivalent in NOK on such date of the then current market value of:

(a) cash in hand or amounts standing to the credit of any current and/or on deposit accounts with a reputable bank; and

(b) time deposits with reputable banks and certificates of deposit issued, and bills of exchange accepted, by a reputable bank,

in each case to which any Group Company is beneficially entitled at the time and to which any Group Company has free and unrestricted access and which is not subject to any security (other than in favour of all Secured Parties).

"**Change of Control Event**" means a person or group of persons acting in concert gaining Decisive Influence over the Ultimate Parent.

"**Closing Procedure**" has the meaning ascribed to such term in Clause 6.2 (*Closing Procedure*).

"**Compliance Certificate**" means a statement substantially in the form as set out in Attachment 1 hereto.

"**CSD**" means the central securities depository in which the Bonds are registered, being Verdipapirsentralen ASA (VPS).

"**Cure Amount**" means cash actually received by the Ultimate Parent:

(a) in exchange for fully paid shares in the Ultimate Parent; or

(b) as Subordinated Loans.

"**Decisive Influence**" means a person having, as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly):

(a) a majority of the voting rights in that other person; or

(b) a right to elect or remove a majority of the members of the board of directors of that other person.

"**Default Notice**" means a written notice to the Issuer as described in Clause 14.2 (*Acceleration of the Bonds*).

"**Default Repayment Date**" means the settlement date set out by the Bond Trustee in a Default Notice requesting early redemption of the Bonds.

"**Disbursement Security**" means the security granted in favour of the Security Agent (on behalf of the Secured Parties) pursuant to paragraph (a)(ii) of Clause 2.5 (*Transaction Security*).

"**Distribution**" means any:

(a) payment of dividend on shares;

(b) repurchase of own shares;

(c) redemption of share capital or other restricted equity with repayment to shareholders;

(d) repayment or service of any Subordinated Loan; or

(e) any other similar distribution or transfers of value to the direct and indirect shareholders of any Group Company or the Affiliates of such direct and indirect shareholders.

"**EBITDA**" means earnings before extraordinary fair value adjustments (positive or negative) in accordance with the Accounting Standard, interest expenses, tax, depreciation and amortization of the Group, as evidenced by the cash flow statement for the four preceding financial quarters preceding the relevant Quarter Date.

"**Enforcement Proceeds**" means:

(a) the proceeds from any enforcement of the Disbursement Security and the Guarantees and certain distressed disposals; and

(b) any payments following any other enforcement event.

"**Equipment**" means any new or used offshore or onshore:

(a) cargo container;

(b) tank;

(c) cabin; or

(d) module,

which is owned by an Equipment Owner and certified in accordance with all requirements of DNV 2.7-1, DNV 2.7-2, DNV 2.7-3 or any equivalent generally accepted standard, but not including any equipment that is a mobile and/or manufactured home which for the purposes of the local law where such equipment is located would be deemed to be real property or a titled motor vehicle.

"**Equipment Owner**" means any Material Group Company owning Equipment.

"**Escrow Account**" means an account in the name of the Issuer established with NT Services AS, Pareto Securities AS or with a bank acceptable to the Bond Trustee where the bank has waived any set-off rights, pledged on first priority basis in favour of the Bond Trustee (on behalf of the Bondholders) as security for the Issuer's obligations under the Finance Documents, and blocked so that no withdrawals can be made therefrom without the Bond Trustee's prior written consent.

"**Escrow Account Pledge**" means the first priority pledge over the Escrow Account, where the bank operating the account has waived any set-off rights.

"**Event of Default**" means any of the events or circumstances specified in Clause 14.1 (*Events of Default*).

"**Exchange**" means:

(a) Nordic ABM, a self-regulated marketplace organised and operated by Oslo Børs;

(b) Oslo Børs (the Oslo Stock Exchange); or

(c) any regulated market as such term is understood in accordance with the Markets in Financial Instruments Directive 2014/65/EU (MiFID II) and Regulation (EU) No. 600/2014 on markets in financial instruments (MiFIR).

"**Existing Debt**" means financial indebtedness incurred and outstanding under the Issuer's USD 120,000,000 amended and restated Revolving Credit Facilities Agreement originally dated 18 November 2014, and latest amended by an amendment agreement dated 4 January 2021, with DBS Bank Ltd, ING Bank N.V. Singapore Branch and Sparebank 1 SR-Bank ASA as arrangers and ING Bank N.V. as coordinator and ING Bank N.V. as facility and security agent.

"**Finance Documents**" means:

(a) these Bond Terms;

(b) the Bond Trustee Fee Agreement;

(c) the Intercreditor Agreement;

(d) any Transaction Security Document; and

(e) any other document designated by the Issuer and the Bond Trustee as a Finance Document.

"**Financial Covenants**" means the financial undertakings set out in Clause 13.19 (*Financial Covenants*).

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed (and debit balances at banks or other financial institutions);

(b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Bonds;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Accounting Standard, be capitalized as an asset and booked as a corresponding liability in the balance sheet;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis provided that the requirements for de-recognition under the Accounting Standard are met);

(f) any derivative transaction entered into and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount shall be taken into account);

(g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of a person which is not a Group Company which liability would fall within one of the other paragraphs of this definition;

(h) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the Issuer) before the Maturity Date or are otherwise classified as borrowings under the Accounting Standard;

(i) any amount of any liability under an advance or deferred purchase agreement, if (a) the primary reason behind entering into the agreement is to raise finance or (b) the agreement is in respect of the supply of assets or services and payment is due more than 120 calendar days after the date of supply;

(j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing or otherwise being classified as a borrowing under the Accounting Standard; and

(k) without double counting, the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above.

"**Financial Reports**" means the Annual Financial Statements and the Interim Accounts.

"**First Call Date**" means the Interest Payment Date falling in September 2023.

"**GAAP**" means generally accepted accounting practices and principles in the country in which the Issuer (or where applicable, the Ultimate Parent) is incorporated including, if applicable, IFRS.

"**Group**" means the Ultimate Parent and its Subsidiaries from time to time.

"**Group Company**" means any person which is a member of the Group.

"**Guarantee**" means the unconditional and irrevocable Norwegian law guarantee and indemnity (Norwegian: "*selvskyldnerkausjon*") issued by each of Material Group Company in respect of the Secured Obligations, which shall constitute senior obligations of such Material Group Company.

"**Guarantor**" means each of the Ultimate Parent, the Issuer, the Original Guarantors and each Group Company which becomes a Material Group Company from time to time.

"**Hedge Counterparty**" means any hedge counterparty under any of the Permitted Hedging Obligations.

"**HoldCo**" means either Modex Asia Limited (at the Issue Date) and later subject to the Permitted Reorganisation, Modex Energy Rentals Singapore Pte. Ltd., which shares shall be pledged as security for the Secured Obligations (in order to procure a single point of enforcement for the Security Agent on behalf of the Secured Parties).

"**IFRS**" means the International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

"**Incurrence Test**" means the test of the financial covenant set out in Clause 13.21 (*Incurrence Test*).

"**Initial Nominal Amount**" means the Nominal Amount of each Bond on the Issue Date as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

"**Insolvent**" means that a person:

(a) is unable or admits inability to pay its debts as they fall due;

(b) suspends making payments on any of its debts generally; or

(c) is otherwise considered insolvent or bankrupt within the meaning of the relevant bankruptcy legislation of the jurisdiction which can be regarded as its centre of main interest as such term is understood pursuant to Regulation (EU) 2015/848 on insolvency proceedings (as amended from time to time).

"**Insurance Policies**" means an insurance policy held by a Material Group Company material to its business and with a liability exceeding NOK 20,000,000.

"**Intercompany Loan**" means any loan or credit made by a Group Company to any other Material Group Company where (a) the loan or credit is scheduled to be outstanding for at least 12 months and (b) the principal amount thereof is at least of NOK 5,000,000 (or the equivalent amount in another currency) and which pursuant to the Intercreditor Agreement shall be fully subordinated to the claims under the Finance Documents, provided that no Financial Indebtedness under any cash pooling arrangement shall constitute an Intercompany Loan.

"**Intercreditor Agreement**" means an intercreditor agreement to be entered into between, inter alia, the agent for the Revolving Credit Facilities, the creditors under any Permitted Hedging Obligations and the Bond Trustee, in accordance with the principles set out in Schedule 1 of the Bond term sheet (applied for the initial offering of Bonds).

"**Interest Payment Date**" means the last day of each Interest Period, the first Interest Payment Date being 2 June 2021 and the last Interest Payment Date being the Maturity Date.

"**Interest Period**" means, subject to adjustment in accordance with the Business Day Convention, the period between 2 March, 2 June, 2 September and 2 December each year, provided however that an Interest Period shall not extend beyond the Maturity Date.

"**Interest Quotation Day**" means, in relation to any period for which Interest Rate is to be determined, 2 Quotation Business Days before the first day of the relevant Interest Period.

"**Interest Rate**" means the percentage rate per annum which is the aggregate of the Reference Rate for the relevant Interest Period plus the Margin.

"**Interim Accounts**" means the unaudited unconsolidated and consolidated quarterly financial statements of the Ultimate Parent and the Issuer for each quarterly period ending on 31 March, 30 June, 30 September and 31 December in each year, prepared in accordance with the Accounting Standard, such financial statements to include a profit and loss account, balance sheet, cash flow statement and an accompanying management summary.

"**ISIN**" means International Securities Identification Number.

"**Issue Date**" means 2 March 2021.

"**Issuer**" means the company designated as such in the preamble to these Bond Terms.

"**Issuer's Bonds**" means any Bonds which are owned by any Obligor or any Affiliate of an Obligor.

"**Issuer Share Pledge**" means a first priority pledge over all shares in the Issuer.

"**Leverage Ratio**" means, for any Relevant Period, the ratio of Total Net Interest Bearing Debt to EBITDA.

"**Liquidity**" means the aggregate of the total unencumbered Cash and Cash Equivalent in any freely transferable currency held by the Group and undrawn and available amounts under the Revolving Credit Facilities (with more than 6 months to maturity), as per the balance sheet for the financial quarter preceding the relevant Quarter Date.

"**Longstop Date**" means 30 May 2021.

"**Make Whole Amount**" means an amount equal to the sum of the present value on the Repayment Date of:

(a) the Nominal Amount of the redeemed Bonds at the price as set out in paragraph (a) (ii) of Clause 10.2 (*Voluntary early redemption – Call Option*) as if such payment originally had taken place on the First Call Date; and

(b) the remaining interest payments of the redeemed Bonds, less any accrued and unpaid interest on the redeemed Bonds as at the Repayment Date, to the First Call Date,

where the present value (in respect of both (a) and (b) above) shall be calculated by using a discount rate of 1.23 per cent. per annum, and where the Interest Rate applied for the remaining interest payments until the First Call Date shall be the applicable Interest Rate on the Call Option Repayment Date.

"**Manager**" means Pareto Securities AS.

"**Mandatory Redemption Event**" means in the event that the conditions precedent set out in paragraph (b) of Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have not been fulfilled or waived by the Bond Trustee within the Longstop Date.

"**Mandatory Redemption Repayment Date**" means the settlement date for the Mandatory Redemption Event pursuant to Clause 10.5 (*Mandatory early redemption due to a Mandatory Redemption Event*).

"**Margin**" means 7.75 per cent. per annum.

"**Master Lease**" means, in relation to any Equipment, lease agreement for that Equipment made between;

(a) the Equipment Owner, as lessor; and

(b) Group Company, as lessee.

"**Material Adverse Effect**" means a material adverse effect on:

(a) the ability of the Issuer and any Guarantor to perform and comply with its obligations under any of the Finance Documents; or

(b) the validity or enforceability of any of the Finance Documents.

"**Material Group Company**" means the Guarantors and any Subsidiary of the Ultimate Parent which has subsequently been designated as a Material Group Company by the Issuer pursuant to Clause 13.13 (*Designation of Material Group Companies*).

"**Maturity Date**" means 2 March 2026, adjusted according to the Business Day Convention.

"**Mortgage**" means, in relation to any Equipment, a first priority English mortgage on that Equipment in form and substance acceptable to the Bond Trustee.

"**Net Clean Down**" has the meaning ascribed to such term in Clause 13.22 (*Revolving Credit Facilities*).

"**Nominal Amount**" means the nominal value of each Bond at any time. The Nominal Amount may be amended pursuant to paragraph (j) of Clause 16.2 (*The duties and authority of the Bond Trustee*).

"**Norwegian Bank Account Pledge**" means first priority charges over the Norwegian bank accounts held by the Issuer and each Guarantor.

"**Obligor**" means the Issuer, each Guarantor and any other company granting Security under these Bond Terms.

"**Original Guarantors**" means each of:

(a) Modex Asia Limited a limited liability company incorporated in Hong Kong with business reg. no. 1402406;

(b) Modex Energy Rentals Singapore Pte. Ltd. a limited liability company incorporated in Singapore with company reg. no. 201304109M;

(c) Modex Energy Rentals LLC a limited liability company formed in the Republic of the Marshall Islands with business reg. no. 962147;

(d) Modex Singapore Pte Ltd a company incorporated in Singapore with business reg. no. 201207293C;

(e) Modex USA Holding a company incorporated in Delaware, USA with business reg. no. 5731864;

(f) Modex LLC a limited liability company incorporated in Louisiana, USA with business reg. no. 36242037K; and

(g) Euro Offshore Holding AS a limited liability company incorporated in Norway with business reg. no. 912 196 968.

"**Outstanding Bonds**" means any Bonds not redeemed or otherwise discharged.

"**Overdue Amount**" means any amount required to be paid by an Obligor under any of the Finance Documents but not made available to the Bondholders on the relevant Payment Date or otherwise not paid on its applicable due date.

"**Partial Payment**" means a payment that is insufficient to discharge all amounts then due and payable under the Finance Documents.

"**Paying Agent**" means the legal entity appointed by the Issuer to act as its paying agent with respect to the Bonds in the CSD.

"**Payment Date**" means any Interest Payment Date or any Repayment Date.

"**Permitted Distribution**" means any Distribution occurring no earlier than 24 months after the Issue Date, not exceeding in each calendar year 50 per cent. of the Issuer's Adjusted Net Profit the previous calendar year, provided always and in each case that the Issuer complies with the Incurrence Test and where any unutilized portion of the Permitted Distribution in any calendar year may not be carried forward.

"**Permitted Financial Indebtedness**" means any Financial Indebtedness:

(a) which is created under or as contemplated by the Finance Documents and any Revolving Credit Facilities;

(b) existing, up until the first release of funds from the Escrow Account, under the Existing Debt;

(c) which is non-interest bearing and created in the ordinary course of trading;

(d) incurred under a Master Lease;

(e) of any company which becomes a Group Company on or after the Issue Date where the Financial Indebtedness is created prior to the date on which that company becomes a Group Company, if:

  (i) the Financial Indebtedness is not created in contemplation of the acquisition of that company;

  (ii) the principal amount has not been increased in contemplation of or since the acquisition of that company; and

  (iii) is removed or discharged within three (3) months of that company becoming a Group Company;

(f) which is intra-group debt provided that relevant subordination statements (under the Intercreditor Agreement) are provided in respect of any intra-group debt that constitutes Intercompany Loans;

(g) in the form of Subordinated Loans;

(h) in respect of any counter-indemnity obligation arising under any guarantee granted by a commercial bank as security for the obligations of any Group Company;

(i) in respect of a Permitted Hedging Obligation;

(j) arising under supplier credits on normal commercial terms in the ordinary course of business;

(k) as set out in paragraph (i) of the definition of Financial Indebtedness any rent obligation for the lease of office buildings/office space and real property (which is not incurred for the sole purpose of raising financing on any such real property); and

(l) in addition to paragraphs (a) to (k) above and not in excess of NOK 10,000,000 (or its equivalent in another currency or currencies).

“**Permitted Financial Support**” means any guarantee or loan constituting financial support and which is:

(a) granted under the Finance Documents;

(b) granted in respect of the Revolving Credit Facilities or any Permitted Hedging Obligation, provided that such guarantee is granted in favour of all the Secured Parties in accordance with the terms of the Intercreditor Agreement;

(c) permitted under paragraphs (c), (f), (j) and (k) of the definition of "Permitted Financial Indebtedness";

(d) which constitutes a trade credit or guarantee issued in respect of a liability incurred by another Group Company in the ordinary course of business;

(e) arising by operation of law or in the ordinary course of trading and not as a result of any default or omission;

(f) arising in the ordinary course of banking arrangements for the purposes of netting debt and credit balances of Group Companies; or

(g) not otherwise permitted by the preceding paragraphs which is incurred in the ordinary course of business and does not exceed NOK 10,000,000 (or its equivalent in another currency or currencies).

“**Permitted Reorganisation**” means any reorganisation of the Group (including, without limitation, liquidation of Group Companies) whereby the Bondholders' overall security position is not adversely affected and the Bondholders maintain a single point of enforcement through a share charge over the shares in a HoldCo owning directly or indirectly the other Group Companies (other than the Ultimate Parent and the HoldCo itself) to the satisfaction of the Bond Trustee. The Bond Trustee shall, in its sole discretion, be entitled to release and to establish any new security or Guarantee necessary to effect such Permitted Reorganisation.

“**Permitted Security**” means any security:

(a) created under the Finance Documents;

(b) granted in respect of any Financial Indebtedness permitted under paragraphs (b) of the definition of "Permitted Financial Indebtedness";

(c) created in respect of any Revolving Credit Facilities or any Permitted Hedging Obligation, provided that such security is extended to and shared between all the Secured Parties pursuant to the terms of the Intercreditor Agreement;

(d) arising by operation of law but not by reason of any default or omission by the Issuer and/or a Group Company;

(e) over goods or documents of title to goods arising in the ordinary course of documentary credit transactions;

(f) short term and created as a retention of title by a seller in connection with the purchase of goods;

(g) any netting or set-off arrangement entered into by any Group Company in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(h) created in favour of a claimant or defendant in any proceedings or arbitration as security for costs and expenses where the relevant member of the Group is actively prosecuting or defending such proceeding or arbitration in good faith;

(i) arising by operation of law in respect of taxes which are not overdue for payment or which are being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

(j) over or affecting any asset of any company which becomes a Group Company on or after the closing date (including by way of acquisition) where the Security is created prior to the date on which that company becomes a Group Company, if:

    (i) the Security is not created in contemplation of the acquisition of that company;

    (ii) the principal amount of that Security has not been increased in contemplation of or since the acquisition of that company; and

    (iii) the Security is removed or discharged within three (3) months of that company becoming a Group Company; and

(k) in addition to paragraphs (a) to (j) above and which does not secure borrowings in excess of NOK 10,000,000 (or its equivalent in another currency or currencies).

"**Permitted Hedging Obligations**" means any obligation of any Group Company under a derivative transaction entered into with one or more Hedge Counterparties in connection with protection against or benefit from fluctuation in any currency rate or price, where such exposure arises in respect of payments to be made under these Bond Terms or the RCF Finance Documents or otherwise in the ordinary course of business (but not a derivative transaction for investment or speculative purposes). Any Permitted Hedging Obligation may be secured by the Disbursement Security, which shall be shared between the Secured Parties in accordance with the terms of the Intercreditor Agreement, and any additional security as permitted under paragraph (b) of the definition of "Permitted Security".

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality.

"**Put Option**" has the meaning ascribed to such term in Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

"**Put Option Event**" means a Change of Control Event.

"**Put Option Repayment Date**" means the settlement date for the Put Option pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

"**Quarter Date**" means, in each financial year, 31 March, 30 June, 30 September and 31 December.

"**Quotation Business Day**" means a day on which Norges Bank's settlement system is open.

"**RCF Creditors**" means the finance parties under the RCF Finance Documents (including lease providers).

"**RCF Finance Documents**" means the agreement(s) for the Revolving Credit Facilities and any leasing facility, guarantee, letter of credit or other document entered into in relation thereto. All amounts outstanding under the RCF Finance Documents shall be secured by the Disbursement Security, to be shared between the Secured Parties in accordance with the terms of the Intercreditor Agreement (pursuant to which it shall have super senior status with respect to any Enforcement Proceeds).

"**Reference Rate**" shall mean NIBOR (Norwegian Interbank Offered Rate) being:

(a) the interest rate fixed for a period comparable to the relevant Interest Period published by Global Rate Set Systems (GRSS) at approximately 12.00 (Oslo time) on the Interest Quotation Day; or

(b) if no screen rate is available for the relevant Interest Period:

 (i) the linear interpolation between the two closest relevant interest periods, and with the same number of decimals, quoted under paragraph (a) above; or

 (ii) a rate for deposits in the currency of the Bonds for the relevant Interest Period as supplied to the Bond Trustee at its request quoted by a sufficient number of commercial banks reasonably selected by the Bond Trustee; or

(c) if the interest rate under paragraph (a) is no longer available, the interest rate will be set by the Bond Trustee in consultation with the Issuer to:

 (i) any relevant replacement reference rate generally accepted in the market; or

 (ii) such interest rate that best reflects the interest rate for deposits in the currency of the Bonds offered for the relevant Interest Period.

In each case, if any such rate is below zero, the Reference Rate will be deemed to be zero.

"**Relevant Jurisdiction**" means the country in which the Bonds are issued, being Norway.

"**Relevant Period**" means each period of twelve (12) consecutive calendar months ending on the last day of the preceding financial quarter.

"**Relevant Record Date**" means the date on which a Bondholder's ownership of Bonds shall be recorded in the CSD as follows:

(a) in relation to payments pursuant to these Bond Terms, the date designated as the Relevant Record Date in accordance with the rules of the CSD from time to time; or

(b) for the purpose of casting a vote with regard to Clause 15 (*Bondholders' Decisions*), the date falling on the immediate preceding Business Day to the date of that Bondholders' decision being made, or another date as accepted by the Bond Trustee.

"**Repayment Date**" means any Call Option Repayment Date, the Default Repayment Date, any Put Option Repayment Date, the Tax Event Repayment Date, the Mandatory Redemption Repayment Date or the Maturity Date.

"**Revolving Credit Facilities**" means one or more revolving credit, guarantee, leasing and/or overdraft facilities may be provided to the Ultimate Parent, the Issuer and/or any other Material Group Company with an aggregate maximum commitment not exceeding NOK 40,000,000 plus accrued interest costs and fees (or the equivalent amount in any other currency). The Revolving Credit Facilities may consist of one or several facilities (including any ancillary facilities) from one or more lenders, which shall rank pari passu between each other. The Issuer (and any other borrower thereunder) may apply amounts borrowed by it under the Revolving Credit Facilities towards general corporate and working capital purposes of the Group.

"**Sanctions**" means any economic or financial sanctions laws, orders and/or regulations, trade embargoes, prohibitions, restrictive measures, decisions, executive orders or notices from regulators implemented, adapted, imposed, administered or enforced from time to time by any Sanctions Authority.

"**Sanctions Authority**" means:

(c) the United Nations;

(d) the European Union;

(e) the United States;

(f) Norway;

(g) the United Kingdom; and/or

(h) the respective governmental institutions of any of the foregoing including, without limitation, Her Majesty's Treasury, the Office of Foreign Assets Control of the US Department of Treasury, the US Department of Commerce, the US Department of State and any other agency of the US government.

"**Secured Obligations**" means all present and future liabilities and obligations at any time due, owing or incurred by any Group Company to any Secured Party under the Finance Documents, the RCF Finance Documents and any finance documents related to any Permitted Hedging Obligations, both actual and contingent.

"**Secured Parties**" means the Security Agent and the Bond Trustee (on behalf of itself and the Bondholders), any RCF Creditors and any Hedge Counterparties.

“**Securities Trading Act**” means the Securities Trading Act of 2007 no. 75 of the Relevant Jurisdiction.

“**Security**” means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Security Agent**” means the Bond Trustee or any successor Security Agent, acting for and on behalf of the Secured Parties in accordance with any Security Agent Agreement or any other Finance Document.

“**Security Agent Agreement**” means any agreement other than these Bond Terms whereby the Security Agent is appointed to act as such in the interest of the Bond Trustee (on behalf of itself and the Bondholders).

“**Subordinated Loan**” means any loan granted or to be granted to the Ultimate Parent, the Issuer or a Material Group Company (also from the shareholders of the Group) which has acceded to the Intercreditor Agreement (or which is alternatively subject to a subordination declaration to the Security Agent), with terms (including aggregate amount) subject to the provisions set out in the Intercreditor Agreement inter alia to ensure that (i) such loan is fully subordinated to the Secured Obligations, (ii) any repayment of, or cash payment of interest under, any such loan is subject to all present and future obligations and liabilities under the Secured Obligations having been discharged in full, and (iii) any such loan incurred after the Issue Date shall in no event be repaid or mature earlier than three (3) years after the Maturity Date.

“**Subsidiary**” means a company over which another company has Decisive Influence.

“**Summons**” means the call for a Bondholders’ Meeting or a Written Resolution as the case may be.

“**Tax Event Repayment Date**” means the date set out in a notice from the Issuer to the Bondholders pursuant to Clause 10.4 (*Early redemption option due to a tax event*).

“**Total Assets**” means the aggregate of all tangible and intangible assets of the Group, as evidenced by the balance sheet at the relevant Quarter Date, as set out in the relevant Financial Report.

“**Total Net Interest Bearing Debt**” means the aggregate amount of all interest bearing debt of the Group (including any leasing obligations booked as debt under IFRS 16) at any time on a consolidated basis according to the Accounting Standard (adjusted so that any foreign exchange ("**FX**") rate conversion applied on a Calculation Date regarding assets denominated in other currencies than the Issuer's functional currency (currently being NOK), shall be replaced by a daily average FX rate for the last 6 months preceding each Calculation Date), but:

(a) for the avoidance of doubt, excluding any debt obligations to any other member of the Group;

(b) excluding any Subordinated Loan;

(c) excluding any Bonds owned by the Ultimate Parent or the Issuer;

(d) deducting the aggregate amount of Cash and Cash Equivalents held by any member of the Group at that time, including funds held on the Escrow Account,

and so that no amount shall be included or excluded more than once.

"**Transaction Security**" means the Security created or expressed to be created in favour of the Security Agent (on behalf of the Secured Parties) pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means, collectively, the Escrow Account Pledge and all of the documents which shall be executed or delivered pursuant to Clause 2.5 (*Transaction Security*).

"**Voting Bonds**" means the Outstanding Bonds less the Issuer's Bonds.

"**Written Resolution**" means a written (or electronic) solution for a decision making among the Bondholders, as set out in Clause 15.5 (*Written Resolutions*).

1.2 Construction

In these Bond Terms, unless the context otherwise requires:

(a) headings are for ease of reference only;

(b) words denoting the singular number will include the plural and vice versa;

(c) references to Clauses are references to the Clauses of these Bond Terms;

(d) references to a time are references to Central European time unless otherwise stated;

(e) references to a provision of "**law**" is a reference to that provision as amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law;

(f) references to a "**regulation**" includes any regulation, rule, official directive, request or guideline by any official body;

(g) references to a "**person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, unincorporated organization, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality;

(h) references to Bonds being "**redeemed**" means that such Bonds are cancelled and discharged in the CSD in a corresponding amount, and that any amounts so redeemed may not be subsequently re-issued under these Bond Terms;

(i) references to Bonds being "**purchased**" or "**repurchased**" by the Issuer means that such Bonds may be dealt with by the Issuer as set out in Clause 11.1 (*Issuer's purchase of Bonds*);

(j) references to persons "**acting in concert**" shall be interpreted pursuant to the relevant provisions of the Securities Trading Act; and

(k) an Event of Default is "**continuing**" if it has not been remedied or waived.

2. THE BONDS

2.1 Amount, denomination and ISIN of the Bonds

(a) The Issuer has resolved to issue a series of Bonds in the amount of NOK 550,000,000.

(b) The Bonds are denominated in Norwegian Kroner (NOK), being the legal currency of Norway.

(c) The Initial Nominal Amount of each Bond is NOK 100,000.

(d) The ISIN of the Bonds is set out on the front page. These Bond Terms apply with identical terms and conditions to (i) all Bonds issued under this ISIN and (ii) any Overdue Amounts issued under one or more separate ISIN in accordance with the regulations of the CSD from time to time.

(e) Holders of Overdue Amounts related to interest claims will not have any other rights under these Bond Terms than their claim for payment of such interest claim which claim shall be subject to paragraph (b) of Clause 15.1 (*Authority of the Bondholders' Meeting*).

2.2 Tenor of the Bonds

The tenor of the Bonds is from and including the Issue Date to but excluding the Maturity Date.

2.3 Use of proceeds

The Issuer will use the net proceeds (net of fees and legal costs of the Manager and the Bond Trustee) from the issuance of the Bonds towards:

(a) repayment of Existing Debt in full; and

(b) the surplus (if any) for general corporate purposes.

2.4 Status of the Bonds

(a) The Bonds constitute senior unsubordinated obligations of the Issuer and will rank pari passu between themselves and at least pari passu with all other senior obligations of the Issuer (except in respect of claims mandatorily preferred by law).

(b) The Bonds will be secured on a pari passu basis with the other Secured Parties in respect of the Security, subject to the super senior status of the Revolving Credit Facility and the Permitted Hedging Obligations. The RCF Creditors and the Hedge Counterparties will receive Enforcement Proceeds prior to the Bondholders (but otherwise rank pari passu in right of payment with the Bonds) in accordance with the waterfall provisions of the Intercreditor Agreement.

2.5 Transaction Security

(a) Subject to mandatory limitations under applicable law and the Agreed Security Principles, as Security for the due and punctual fulfilment of the Secured Obligations, the Issuer shall procure that the following Transaction Security is granted in favour of the Security Agent (on behalf of the Secured Parties in accordance with the terms of the Intercreditor Agreement, except with regard to the Pre-settlement Security, which shall be held on behalf of itself and the Bondholders only) with first priority within the times agreed in Clause 6 (*Conditions for disbursement*):

(i) *Pre-settlement Security:*

the Escrow Account Pledge;

(ii) *Disbursement Security:*

(A) the Issuer Share Pledge;

(B) first priority pledges over all the shares issued by each Guarantor (other than the Ultimate Parent) owned by a Group Company, including always HoldCo;

(C) the Norwegian Bank Account Pledges;

(D) the Additional Bank Account Pledges;

(E) first priority assignment by way of a floating charge over:

(1) the trade receivables (No. *factoringpant*);

(2) the operating assets (No. *driftstilbehørspant*); and

(3) the inventory (No. *varelagerpant*),

in respect of (1) – (3) of each of the Issuer and any Guarantor incorporated in Norway;

(F) first priority Mortgages of each Guarantor that is an Equipment Owner (other than any Obligor incorporated in Norway);

(G) first priority assignment of monetary claims under the Insurance Policies of each of the Ultimate Parent, the Issuer any Guarantor; and

(H) the Guarantees.

(b) The Transaction Security and the Intercreditor Agreement shall be entered into on such terms and conditions as the Bond Trustee in its discretion deems appropriate in order to create the intended benefit for the Secured Parties under the relevant document.

(c) The Security Agent shall be irrevocably authorised to (i) release any Guarantees and Transaction Security over assets which are sold or otherwise disposed of (directly or indirectly) (A) in any merger, de-merger or disposal permitted in compliance with Clauses 13.5 (*Mergers and de-mergers*) or 13.10 (*Disposals*) and (B) in connection with any enforcement or insolvency and (ii) release any Guarantee or Security provided by a Guarantor that ceases to be a Material Group Company, for the avoidance of doubt, notwithstanding anything to the contrary in the relevant Security Document.

3. THE BONDHOLDERS

3.1 Bond Terms binding on all Bondholders

(a) By virtue of being registered as a Bondholder (directly or indirectly) with the CSD, the Bondholders are bound by these Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with by the Bond Trustee, the Bondholders, the Issuer or any other party.

(b) The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.

3.2 Limitation of rights of action

(a) No Bondholder is entitled to take any enforcement action, instigate any insolvency procedures, or take other legal action against the Issuer or any other party in relation to any of the liabilities of the Issuer or any other party under or in connection with the Finance Documents, other than through the Bond Trustee and in accordance with these Bond Terms, provided, however, that the Bondholders shall not be restricted from exercising any of their individual rights derived from these Bond Terms, including the right to exercise the Put Option.

(b) Each Bondholder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Bond Trustee), as the Bond Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Bond Trustee is under no obligation to represent a Bondholder which does not comply with such request.

3.3 Bondholders' rights

(a) If a beneficial owner of a Bond not being registered as a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain proof of ownership of the Bonds, acceptable to the Bond Trustee.

(b) A Bondholder (whether registered as such or proven to the Bond Trustee's satisfaction to be the beneficial owner of the Bond as set out in paragraph (a) above) may issue one or more powers of attorney to third parties to represent it in relation to some or all of the Bonds held or beneficially owned by such Bondholder. The Bond Trustee shall only have to examine the face of a power of attorney or similar evidence of authorisation that has been provided to it pursuant to this Clause 3.3 (*Bondholders' rights*) and may assume that it is in full force and effect, unless otherwise is apparent from its face or the Bond Trustee has actual knowledge to the contrary.

4. ADMISSION TO LISTING

The Issuer shall use its reasonable endeavours to ensure that the Bonds are listed on Nordic ABM within six (6) months of the Issue Date and thereafter remain listed on an Exchange until the Bonds have been redeemed in full.

5. REGISTRATION OF THE BONDS

5.1 Registration in the CSD

The Bonds shall be registered in dematerialised form in the CSD according to the relevant securities registration legislation and the requirements of the CSD.

5.2 Obligation to ensure correct registration

The Issuer will at all times ensure that the registration of the Bonds in the CSD is correct and shall immediately upon any amendment or variation of these Bond Terms give notice to the CSD of any such amendment or variation.

5.3 Country of issuance

The Bonds have not been issued under any other country's legislation than that of the Relevant Jurisdiction. Save for the registration of the Bonds in the CSD, the Issuer is under no obligation to register, or cause the registration of, the Bonds in any other registry or under any other legislation than that of the Relevant Jurisdiction.

6. CONDITIONS FOR DISBURSEMENT

6.1 Conditions precedent for disbursement to the Issuer

(a) Payment of the net proceeds (net of fees and legal costs of the Manager and any other costs and expenses incurred in connection with the Bond Issue) from the issuance of the Bonds to the Escrow Account shall be conditional on the Bond Trustee having received in due time (as determined by the Bond Trustee) prior to the Issue Date each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) these Bond Terms duly executed by all parties hereto;

(ii) the Escrow Account Pledge duly executed by all parties thereto and perfected (including all applicable notices, acknowledgements and consents from the account bank);

(iii) copies of all necessary corporate resolutions of the Issuer to issue the Bonds and execute the Finance Documents to which it is a party;

(iv) copies of all necessary corporate resolutions of the Ultimate Parent to execute the Finance Documents to which it is a party;

(v) a copy of a power of attorney (unless included in the corporate resolutions) from the Ultimate Parent and the Issuer to relevant individuals for their execution of the Finance Documents to which it is a party;

(vi) copies of the Ultimate Parent's and the Issuer's articles of association and full extract from the relevant company register in respect of the Ultimate Parent and the Issuer evidencing that the Ultimate Parent and the Issuer is validly existing (Nw: “Firmaattest”);

(vii) copies of the Ultimate Parent's and the Issuer's latest Financial Reports (if any);

(viii) confirmation that the applicable prospectus requirements (cf. the EU prospectus regulation ((EU) 2017/1129)) concerning the issuance of the Bonds have been fulfilled;

(ix) confirmation that the Bonds are registered in the CSD (by obtaining an ISIN for the Bonds);

(x) copies of any written documentation used in marketing the Bonds or made public by the Issuer or any Manager in connection with the issuance of the Bonds;

(xi) the Bond Trustee Fee Agreement duly executed by the parties thereto; and

(xii) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the legality, validity and enforceability of these Bond Terms and the Finance Documents).

(b) The net proceeds from the issuance of the Bonds (on the Escrow Account) will not be disbursed to the Issuer unless the Bond Trustee has received or is satisfied that it will receive in due time (as determined by the Bond Trustee) prior to such disbursement to the Issuer each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) a duly executed release notice from the Issuer, as set out in Attachment 2, including a funds flow statement evidencing that the funds released will be used in accordance with the purpose of the Bond Issue and that the Issuer has sufficient funds available to repay the Existing Debt in full;

(ii) unless delivered under paragraph (a) above as pre-settlement conditions precedent:

(A) copies of all necessary corporate resolutions of each Obligor required to provide the Transaction Security and execute the Finance Documents to which it is a party;

(B) a copy of a power of attorney (unless included in the relevant corporate resolutions) from each Obligor to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the relevant Obligor;

(C) copies of each Obligor's articles of association and of a full extract from the relevant company register in respect of each Obligor evidencing that the Obligors are validly existing;

(iii) documentation evidencing nomination of Material Group Companies in compliance with the terms hereof;

(iv) evidence (i) that the Existing Debt will be repaid in full no later than on the date of such disbursement and (ii) that any guarantee or security created in respect thereof will be released and discharged in full, in each case subject to the Closing Procedure;

(v) all relevant Transaction Security Documents being executed and perfected according to the Closing Procedure;

(vi) the Intercreditor Agreement duly executed by all parties thereto;

(vii) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Guarantors and the legality, validity and enforceability of the Finance Documents); and

(viii) all Finance Documents (unless delivered under paragraph (a) as pre-settlement conditions precedent) duly executed.

(c) The Bond Trustee, acting in its sole discretion, may, regarding this Clause 6.1 (C*onditions precedent for disbursement to the Issuer*), waive the requirements for documentation or decide that delivery of certain documents shall be made subject to an agreed closing procedure between the Bond Trustee and the Issuer.

6.2 Closing Procedure

The fulfilment of the conditions precedent for disbursement of the net proceeds from the issuance of the Bonds (on the Escrow Account) pursuant to paragraph (b) of Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) may be made subject to a closing procedure (the "**Closing Procedure**") agreed between the Bond Trustee and the Issuer where the parties may agree that certain conditions precedent are to be delivered prior to or in connection with the release of funds from the Escrow Account. Perfection of the Security (except for the Escrow Account Pledge) shall be established as soon as possible in accordance with the terms of the Closing Procedure subject to the Agreed Security Principles on or immediately after the release of funds from the Escrow Account, including to allow for certain matters to be handled post disbursement, as customary or required for practical reasons.

6.3 Disbursement of the proceeds

Disbursement of the proceeds from the issuance of the Bonds is conditional on the Bond Trustee’s confirmation to the Paying Agent that the conditions in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have been either satisfied in the Bond Trustee’s discretion or waived by the Bond Trustee pursuant to paragraph (c) of Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) above.

7. REPRESENTATIONS AND WARRANTIES

The Ultimate Parent and the Issuer makes the representations and warranties set out in this Clause 7 (*Representations and warranties*), in respect of itself and in respect of each Group

Company to the Bond Trustee (on behalf of the Bondholders) at the following times and with reference to the facts and circumstances then existing:

(a) at the date of these Bond Terms;

(b) at the Issue Date; and

(c) on each date of disbursement of proceeds from the Escrow Account.

7.1 Status

It is a limited liability company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

7.2 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

7.3 Valid, binding and enforceable obligations

These Bond Terms and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

7.4 Non-conflict with other obligations

The entry into and performance by it of these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

7.5 No Event of Default

(a) No Event of Default exists or is likely to result from the making of any drawdown under these Bond Terms or the entry into, the performance of, or any transaction contemplated by, any Finance Document.

(b) No other event or circumstance has occurred which constitutes (or with the expiry of any grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

7.6 Authorizations and consents

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

(a) to enable it to enter into, exercise its rights and comply with its obligations under these Bond Terms or any other Finance Document to which it is a party; and

(b) to carry on its business as presently conducted and as contemplated by these Bond Terms,

have been obtained or effected and are in full force and effect.

7.7 Litigation

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

7.8 Financial Reports

Its most recent Financial Reports fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with the Accounting Standard, consistently applied.

7.9 No Material Adverse Effect

Since the date of the most recent Financial Reports, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

7.10 No misleading information

Any factual information provided by it to the Bondholders or the Bond Trustee for the purposes of the issuance of the Bonds was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

7.11 No withholdings

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under these Bond Terms.

7.12 Pari passu ranking

Its payment obligations under these Bond Terms or any other Finance Document to which it is a party ranks as set out in Clause 2.4 (*Status of the Bonds*).

7.13 Security

No Security exists over any of the present assets of any Group Company in conflict with these Bond Terms.

8. PAYMENTS IN RESPECT OF THE BONDS

8.1 Covenant to pay

(a) The Issuer will unconditionally make available to or to the order of the Bond Trustee and/or the Paying Agent all amounts due on each Payment Date pursuant to the terms of these Bond Terms at such times and to such accounts as specified by the Bond Trustee and/or the Paying Agent in advance of each Payment Date or when other payments are due and payable pursuant to these Bond Terms.

(b) All payments to the Bondholders in relation to the Bonds shall be made to each Bondholder registered as such in the CSD at the Relevant Record Date, by, if no specific order is made by the Bond Trustee, crediting the relevant amount to the bank account nominated by such Bondholder in connection with its securities account in the CSD.

(c) Payment constituting good discharge of the Issuer's payment obligations to the Bondholders under these Bond Terms will be deemed to have been made to each Bondholder once the amount has been credited to the bank holding the bank account nominated by the Bondholder in connection with its securities account in the CSD. If the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question.

(d) If a Payment Date or a date for other payments to the Bondholders pursuant to the Finance Documents falls on a day on which either of the relevant CSD settlement system or the relevant currency settlement system for the Bonds are not open, the payment shall be made on the first following possible day on which both of the said systems are open, unless any provision to the contrary has been set out for such payment in the relevant Finance Document.

8.2 Default interest

(a) Default interest will accrue on any Overdue Amount from and including the Payment Date on which it was first due to and excluding the date on which the payment is made at the Interest Rate plus 3 percentage points per annum.

(b) Default interest accrued on any Overdue Amount pursuant to this Clause 8.2 (*Default interest*) will be added to the Overdue Amount on each Interest Payment Date until the Overdue Amount and default interest accrued thereon have been repaid in full.

8.3 Partial Payments

(a) If the Paying Agent or the Bond Trustee receives a Partial Payment, such Partial Payment shall, in respect of the Issuer's debt under the Finance Documents be considered made for discharge of the debt of the Issuer in the following order of priority:

(i) firstly, towards any outstanding fees, liabilities and expenses of the Bond Trustee (and any Security Agent);

(ii) secondly, towards accrued interest due but unpaid; and

(iii) thirdly, towards any other outstanding amounts due but unpaid under the Finance Documents.

(b) Notwithstanding paragraph (a) above, any Partial Payment which is distributed to the Bondholders, shall, after the above mentioned deduction of outstanding fees, liabilities and expenses, be applied (i) firstly towards any principal amount due but unpaid and (ii) secondly, towards accrued interest due but unpaid, in the following situations;

(i) the Bond Trustee has served a Default Notice in accordance with Clause 14.2 (*Acceleration of the Bonds*), or

(ii) as a result of a resolution according to Clause 15 (*Bondholders' decisions*).

8.4 Taxation

(a) Each Obligor is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents.

(b) The Obligors shall, if any tax is withheld in respect of the Bonds under the Finance Documents:

(i) gross up the amount of the payment due from it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and

(ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.

(c) Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

8.5 Currency

(a) All amounts payable under the Finance Documents shall be payable in the denomination of the Bonds set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*). If, however, the denomination differs from the currency of the bank account connected to the Bondholder's account in the CSD, any cash settlement may be exchanged and credited to this bank account.

(b) Any specific payment instructions, including foreign exchange bank account details, to be connected to the Bondholder's account in the CSD must be provided by the relevant Bondholder to the Paying Agent (either directly or through its account manager in the CSD) within 5 Business Days prior to a Payment Date. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

8.6 Set-off and counterclaims

No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to these Bond Terms or any other Finance Document.

9. INTEREST

9.1 Calculation of interest

(a) Each Outstanding Bond will accrue interest at the Interest Rate on the Nominal Amount for each Interest Period, commencing on and including the first date of the Interest Period, and ending on but excluding the last date of the Interest Period.

(b) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis). The Interest Rate will be reset at each Interest Quotation Day by the Bond Trustee, who will notify the Issuer and the Paying Agent and, if the Bonds are listed, the Exchange, of the new Interest Rate and the actual number of calendar days for the next Interest Period.

9.2 Payment of interest

Interest shall fall due on each Interest Payment Date for the corresponding preceding Interest Period and, with respect to accrued interest on the principal amount then due and payable, on each Repayment Date.

10. REDEMPTION AND REPURCHASE OF BONDS

10.1 Redemption of Bonds

The Outstanding Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 100 per cent. of the Nominal Amount.

10.2 Voluntary early redemption - Call Option

(a) The Issuer may redeem all but not only some of the Outstanding Bonds (the "**Call Option**") on any Business Day from and including:

(i) the Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount;

(ii) the First Call Date to, but not including, the Interest Payment Date in March 2024 at a price equal to 104.10 per cent. of the Nominal Amount for each redeemed Bond;

(iii) the Interest Payment Date in March 2024 to, but not including, the Interest Payment Date in March 2025 at a price equal to 103.28 per cent. of the Nominal Amount for each redeemed Bond;

(iv) the Interest Payment Date in March 2025 to, but not including, the Interest Payment Date in September 2025 at a price equal to 101.64 per cent. of the Nominal Amount for each redeemed Bond; and

(v) the Interest Payment Date in September 2025 to, but not including, the Maturity Date at a price equal to 100.82 per cent. of the Nominal Amount for each redeemed Bond.

(b) Any redemption of Bonds pursuant to paragraph (a) above shall be determined based upon the redemption prices applicable on the Call Option Repayment Date.

(c) The Call Option may be exercised by the Issuer by written notice to the Bond Trustee at least 10 Business Days prior to the proposed Call Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date. Notwithstanding the foregoing, the exercise of the Call Option may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, to be satisfied or waived no later than three (3) Business Days prior to the Call Option

Repayment Date. If such condition precedent has not been lifted within the said date, the call notice shall be null and void.

(d) Unless the Make Whole Amount is set out in the written notice where the Issuer exercises the Call Option, the Issuer shall calculate the Make Whole Amount and provide such calculation by written notice to the Bond Trustee as soon as possible and at the latest within 3 Business Days from the date of the notice.

10.3 Mandatory repurchase due to a Put Option Event

(a) Upon the occurrence of a Put Option Event, each Bondholder will have the right (the "**Put Option**") to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101 per cent. of the Nominal Amount.

(b) The Put Option must be exercised within 15 Business Days after the Issuer has given notice to the Bond Trustee and the Bondholders that a Put Option Event has occurred pursuant to Clause 12.3 (*Put Option Event*). Once notified, the Bondholders' right to exercise the Put Option is irrevocable.

(c) Each Bondholder may exercise its Put Option by written notice to its account manager for the CSD, who will notify the Paying Agent of the exercise of the Put Option. The Put Option Repayment Date will be the 5th Business Day after the end of 15 Business Days exercise period referred to in paragraph (b) above. However, the settlement of the Put Option will be based on each Bondholders holding of Bonds at the Put Option Repayment Date.

(d) If Bonds representing more than 90 per cent. of the Outstanding Bonds have been repurchased pursuant to this Clause 10.3 (*Mandatory repurchase due to a Put Option Event*), the Issuer is entitled to repurchase all the remaining Outstanding Bonds at the price stated in paragraph (a) above by notifying the remaining Bondholders of its intention to do so no later than 10 Business Days after the Put Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date.

10.4 Early redemption option due to a tax event

If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4 (*Taxation*) as a result of a change in applicable law implemented after the date of these Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100 per cent. of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 40 Business Days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.

10.5 Mandatory early redemption due to a Mandatory Redemption Event

Upon a Mandatory Redemption Event, the Issuer shall, within 5 Business Days after the Mandatory Redemption Event, redeem all of the Outstanding Bonds at a price of 101 per cent.

of the Nominal Amount plus accrued interest, by inter alia applying the funds deposited on the Escrow Account for such redemption.

11. PURCHASE AND TRANSFER OF BONDS

11.1 Issuer's purchase of Bonds

The Issuer and the Group Companies may purchase and hold Bonds and such Bonds may be retained or sold (but not discharged), including with respect to Bonds purchased pursuant to Clause 10.3 (Mandatory repurchase due to a Put Option Event).

11.2 Restrictions

(a) Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible for ensuring compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.

(b) A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

12. INFORMATION UNDERTAKINGS

12.1 Financial Reports

(a) The Ultimate Parent and the Issuer shall prepare their Annual Financial Statements in the English language and make them available on their website (alternatively on another relevant information platform) as soon as they become available, and not later than 120 days after the end of the financial year.

(b) The Ultimate Parent and the Issuer shall prepare their Interim Accounts in the English language and make them available on its website (alternatively on another relevant information platform) as soon as they become available, and not later than 60 days after the end of the relevant interim period.

12.2 Requirements as to Financial Reports

(a) The Ultimate Parent and the Issuer shall supply to the Bond Trustee, in connection with the publication of their Financial Reports pursuant to Clause 12.1 (*Financial Reports*), a Compliance Certificate with a copy of the Financial Reports attached thereto. The Compliance Certificates shall be duly signed by the chief executive officer or the chief financial officer of the Issuer and the Ultimate Parent (where relevant), certifying inter alia that the Financial Reports are fairly representing their financial condition as at the date of those financial statements and setting out (in reasonable detail) computations evidencing compliance with Clause 13.19 (*Financial Covenants*) as at such date. Also when relevant the Compliance Certificate shall contain the identity of any new Material Group Companies designates as such in accordance whit Clause 13.13 (*Designation of Material Group Companies*).

(b) The Issuer shall procure that the Financial Reports delivered pursuant to Clause 12.1 (*Financial Reports*) are prepared using the Accounting Standard consistently applied.

12.3 Put Option Event

The Issuer shall promptly inform the Bond Trustee in writing after becoming aware that a Put Option Event has occurred.

12.4 Information: Miscellaneous

The Issuer shall:

(a) promptly inform the Bond Trustee in writing of any Event of Default or any event or circumstance which the Issuer understands or could reasonably be expected to understand may lead to an Event of Default and the steps, if any, being taken to remedy it;

(b) at the request of the Bond Trustee, report the balance of the Issuer's Bonds (to the best of its knowledge, having made due and appropriate enquiries);

(c) send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;

(d) if the Bonds are listed on an Exchange, send a copy to the Bond Trustee of its notices to the Exchange;

(e) if the Issuer and/or the Bonds are rated, inform the Bond Trustee of its and/or the rating of the Bonds, and any changes to such rating;

(f) inform the Bond Trustee of changes in the registration of the Bonds in the CSD; and

(g) within a reasonable time, provide such information about the Issuer's and the Group's business, assets and financial condition as the Bond Trustee may reasonably request.

13. GENERAL AND FINANCIAL UNDERTAKINGS

The Issuer undertakes to (and shall, where applicable, procure that the other Group Companies will) comply with the undertakings set forth in this Clause 13 (*General and financial undertakings*).

13.1 Authorisations

The Ultimate Parent and the Issuer shall, and shall procure that each other Group Company will, in all material respects obtain, maintain and comply with the terms of any authorisation, approval, license and consent required for the conduct of its business as carried out from time to time.

13.2 Compliance with laws

The Ultimate Parent and the Issuer shall, and shall procure that each other Group Company will, comply:

(a) in all material respects with all laws and regulations to which it may be subject from time to time; and

(b) with all Sanctions to which it may be subject from time to time.

13.3 Continuation of business

The Ultimate Parent and the Issuer shall procure that no material change is made to the general nature of the business from that carried on by the Group at the Issue Date.

13.4 Corporate status

The Ultimate Parent and the Issuer shall not change its jurisdiction of incorporation.

13.5 Mergers

The Ultimate Parent and the Issuer shall not, and shall procure that no other Group Company will, carry out any merger or other business combination or corporate reorganisation involving a consolidation of assets and obligations of the Issuer or any other Group Company with any other companies or entities, if such transaction would have a Material Adverse Effect and provided that in any merger or other business combination or corporate reorganisation involving (i) the Ultimate Parent, the surviving entity shall be the Ultimate Parent, or (ii) the Issuer, the surviving entity shall be the Issuer.

13.6 De-Mergers

The Ultimate Parent and the Issuer shall not, and shall procure that no other Material Group Company will, carry out any de-merger or other corporate reorganisation, other than any de-merger or other corporate reorganisation of any Material Group Company (other than the Ultimate Parent or the Issuer which shall in no event be subject to a de-merger) into two or more separate companies or entities which are (directly or indirectly) wholly-owned by the Ultimate Parent or the Issuer (or, in the case of a Material Group Company that was not wholly-owned prior to such de-merger, owned with the same ownership percentage as the original Material Group Company was) and provided further that any such de-merger or other corporate reorganisation is carried out at arm's length terms and does not have a Material Adverse Effect.

13.7 Financial Indebtedness

(a) Except as permitted under paragraph (b) below, the Ultimate Parent and the Issuer shall not, and shall ensure that no other Group Company will, incur or maintain any Financial Indebtedness.

(b) Paragraph (a) above shall not prohibit any Group Company to incur or maintain any Permitted Financial Indebtedness.

13.8 Negative pledge

(a) Except as permitted under paragraph (b) below, the Ultimate Parent and the Issuer shall not, and shall ensure that no other Group Company will, create or allow to subsist, retain, provide, prolong or renew any security over any of its/their assets (present or future).

(b) Paragraph (a) above does not apply to any Permitted Security.

13.9 Financial support

(a) Except as permitted under paragraph (b) below, the Ultimate Parent and the Issuer shall not, and shall ensure that no other Group Company will, grant or allow to subsist, retain, provide, prolong or renew any loans or guarantees, or otherwise voluntarily assume any financial liability (whether actual or contingent), in respect of any obligation of any third party.

(b) Paragraph (a) above does not apply to any Permitted Financial Support.

13.10 Disposals

The Ultimate Parent and the Issuer shall not, and shall procure that no other Group Company will, sell, transfer or otherwise dispose of all or a substantial part of its assets (including shares or other securities in any person) or operations (other than to a Group Company), unless such sale, transfer or disposal is carried out on an arms' length basis and would not have a Material Adverse Effect.

13.11 Distributions

(a) Except as permitted under paragraph (b) below, the Ultimate Parent shall not and shall procure that no other Group Company shall make any Distributions to the Ultimate Parent's shareholders.

(b) Paragraph (a) above does not apply to any Permitted Distribution.

13.12 Arm's length transactions

Without limiting Clause 13.2 (*Compliance with laws*), the Ultimate Parent and the Issuer shall not, and shall ensure that no other Group Company will, enter into any transaction with any Affiliate which is not a Guarantor except on arm's length basis.

13.13 Designation of Material Group Companies

(a) The Issuer and the Ultimate Parent shall:

(i) once every year (simultaneously with the delivery to the Bond Trustee of the Ultimate Parent's Annual Financial Statements); and

(ii) (if relevant) at the date of completion of any de-merger of any Material Group Company in accordance with Clause 13.6 (*De-Mergers*) or acquisition of any new company that is to be considered a Material Group Company,

in each case, nominate as Material Group Companies:

(A) each such Group Company which (on a consolidated basis in the case of a Group Company which itself has Subsidiaries) has a total EBITDA or Total Assets which represent more than 0.10 x the total EBITDA or Total Assets of the Group (excluding goodwill and intra-Group items) on a consolidated basis, based on the preceding four financial quarters; and

(B) each such Group Companies as are necessary to ensure that the Issuer and the Material Group Companies (calculated on an unconsolidated basis and excluding all intra-Group items and investments in Subsidiaries of any Group Company) in aggregate account for at least 0.85 x EBITDA and the Total Assets of the Group (calculated on a consolidated basis); and

(iii) ensure that each such Material Group Company no later than 90 days after its nomination provide Disbursement Security in accordance with the Agreed Security Principles and accede to the Intercreditor Agreement.

13.14 Preservation of assets

The Ultimate Parent and the Issuer shall, and shall procure that all Group Companies will:

(a) maintain in good working order and condition (ordinary wear and tear excepted) all of its assets necessary or desirable in the conduct of its business; and

(b) uphold good title to or valid leases or licenses of or will otherwise remain entitled to use and permit other Group Company to use all material assets necessary to conduct its business as presently conducted,

in each case, to the extent that non-compliance with such obligation has, or is reasonably likely to have a Material Adverse Effect.

13.15 Insurances

The Ultimate Parent and the Issuer shall, and shall procure that all Group Companies will, maintain insurances on or in relation to their businesses, material assets and their liabilities with underwriters and reputable insurance companies against such risks of the kinds customarily insured against by, and in amounts reasonably and commercially prudent for, companies carrying on similar businesses if failure to do so has, or is reasonably likely to have, a Material Adverse Effect.

13.16 Ownership undertaking

(a) The Ultimate Parent shall, subject to the Permitted Reorganisation, ensure that it at all times remains:

(i) the 100% direct owner of a HoldCo;

(ii) the 100% direct or indirect owner of the Issuer.

(b) Furthermore, subject to the Permitted Reorganisation, all Group Companies (other than the Ultimate Parent and the HoldCo) shall be owned directly or indirectly by a HoldCo, meaning that the Ultimate Parent shall not own shares directly in other legal entities than a HoldCo.

13.17 Holding Company

The Ultimate Parent shall not trade, carry on any business or own any material assets, except for:

(a) the provision of administrative services to other Group Companies of a type customarily provided by a holding company;

(b) ownership of shares in any HoldCo, bank accounts, cash and cash equivalents; and

(c) the granting of any Intercompany Loans.

13.18 Subsidiaries' distributions

The Ultimate Parent and the Issuer shall not permit any of their respective Subsidiaries to create or permit to exist any contractual obligation (or encumbrance) restricting the right of any Subsidiary to pay dividends or make other distributions to its shareholders, other than permitting to subsist such contractual obligation which is not reasonably likely to prevent the Issuer from complying with its payment obligations under these Bond Terms.

13.19 Financial Covenants

(a) **Leverage Ratio:** The Ultimate Parent shall maintain a Leverage Ratio of maximum:

(i) 4.75x from the Issue Date to, but excluding, the Interest Payment Date falling in March 2022;

(ii) 4.25x from the Interest Payment Date falling in March 2022 to, but excluding, the Interest Payment Date falling in March 2023;

(iii) 3.75x from the Interest Payment Date falling in March 2023 to, but excluding, the Interest Payment Date falling in March 2025; and

(iv) 3.25x from the Interest Payment Date falling in March 2025 to, but excluding, the Maturity Date.

(b) **Book Equity Ratio:** The Ultimate Parent shall maintain a Book Equity Ratio of minimum 25 per cent.

(c) **Minimum Liquidity:** The Ultimate Parent shall maintain a minimum Liquidity of NOK 30,000,000.

(d) The Financial Covenants set out in paragraph (a) to (c) above shall be calculated on a consolidated basis of the Group.

(e) The Ultimate Parent undertakes to comply with the above Financial Covenants (i) at all times in respect of minimum Liquidity and at each Quarter Date in respect of the Leverage Ratio and the Book Equity Ratio, such compliance to be measured on each Quarter Date.

13.20 Financial Covenants Cure

(a) If the Issuer fails (or would otherwise fail) to comply with the Financial Covenants at any relevant Quarter Date (or any other date) and the Issuer receives or has received any Cure Amount during the period from the last Quarter Date up to the date of delivery to the Bond Trustee of the Compliance Certificate in accordance with paragraph (a) of Clause 12.2 (*Requirements to Financial Reports*) in respect of such period, then:

(i) the Leverage Ratio shall be recalculated on the basis that the Cure Amount so received shall be deemed to reduce the Total Net Interest Bearing Debt;

(ii) the Book Equity Ratio shall be recalculated on the basis that the Cure Amount so received shall be deemed to increase the Book Equity; and

(iii) the Liquidity shall be recalculated on the basis that the Cure Amount so received shall be deemed to increase the Cash and Cash Equivalent,

for the Relevant Period to which the breach relates.

(b) If, after the Leverage Ratio, the Book Equity Ratio and Liquidity is recalculated as set out above, the breach has been prevented or cured, the relevant Financial Covenants shall be deemed to have been satisfied on the relevant reporting date.

(c) The Issuer shall be limited to a maximum of 2 Financial Covenant Cures of actual failures to satisfy the Financial Covenants during the term of the Bonds, and no consecutive Financial Covenant Cures are permitted.

13.21 Incurrence Test

The Incurrence Test is met if:

(a) the Leverage Ratio (calculated as set out in paragraph (b) below) is lower than 2.5;

(b) The calculation of the Leverage Ratio shall be made:

(i) as per a testing date determined by the Issuer, falling no earlier than one (1) month prior to the event relevant for the application of the Incurrence Test;

(ii) by calculating the Total Net Interest Bearing Debt on the relevant testing date so determined on a pro forma basis immediately after the making of the Distribution; and

(iii) by calculating EBITDA for the Relevant Period ending on the last day of the financial quarter immediately prior to the testing date (unless the testing date is a financial quarter end).

13.22 Revolving Credit Facilities

The Ultimate Parent and the Issuer shall semi-annually from and including the second quarter of 2021 ensure that the aggregate amount of:

(a) all drawn loans, any cash loan element of any ancillary facilities and any cash loans covered by a bank guarantee issued under any ancillary facility; *less*

(b) any Cash and Cash Equivalents (less an amount of NOK 30,000,000 representing the requirement to maintain Minimum Liquidity) held by wholly owned Group Companies,

shall not exceed zero for a period of not less than three (3) consecutive Business Days (a "**Net Clean Down**") (as confirmed in a Compliance Certificate). Not less than three (3) months shall elapse between two such periods and the first Net Clean Down shall occur no later than six (6) months after the Issue Date.

14. EVENTS OF DEFAULT AND ACCELERATION OF THE BONDS

14.1 Events of Default

Each of the events or circumstances set out in this Clause 14.1 (*Events of Default*) shall constitute an Event of Default:

(a) *Non-payment*

An Obligor fails to pay any amount payable by it under the Finance Documents when such amount is due for payment, unless:

(i) its failure to pay is caused by administrative or technical error in payment systems or the CSD and payment is made within 5 Business Days following the original due date; or

(ii) in the discretion of the Bond Trustee, the Issuer has substantiated that it is likely that such payment will be made in full within 5 Business Days following the original due date.

(b) *Breach of other obligations*

An Obligor does not comply with any provision of the Finance Documents other than set out under paragraph (a) (*Non-payment*) above, unless such failure is capable of being remedied and is remedied within 20 Business Days after the earlier of the Issuer's actual knowledge thereof, or notice thereof is given to the Issuer by the Bond Trustee.

(c) *Misrepresentation*

Any representation, warranty or statement (including statements in Compliance Certificates) made by the Issuer, the Ultimate Parent or any Obligor under or in connection with any Finance Documents is or proves to have been incorrect, inaccurate or misleading in any material respect when made.

(d) *Cross default*

If for any Material Group Company:

(i) any Financial Indebtedness is not paid when due nor within any applicable grace period; or

(ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or

(iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described), or

(iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described), **but excluding**, any event where a creditor under the RCF Finance

Documents becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity solely as a result of any breach of the obligation to maintain financial covenants (maintenance covenants) under the RCF Finance Documents, but only up to such time as any breach of maintenance covenant in the RCF Finance Documents leads to accelerated payment of any amounts outstanding thereunder (cross-acceleration),

provided however that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above exceeds a total of NOK 20,000,000 (or the equivalent thereof in any other currency).

(e) *Insolvency and insolvency proceedings*

Any Material Group Company:

(i) is Insolvent; or

(ii) is object of any corporate action or any legal proceedings is taken in relation to:

(A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than a solvent liquidation or reorganization; or

(B) a composition, compromise, assignment or arrangement with any creditor which may materially impair its ability to perform its obligations under these Bond Terms; or

(C) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or

(D) enforcement of any Security over any of its or their assets having an aggregate value exceeding the threshold amount set out in paragraph (d) (*Cross default*) above of this Clause 14.1 (*Events of Default*); or

(E) for (A) - (D) above, any analogous procedure or step is taken in any jurisdiction in respect of any such company,

however this shall not apply to any petition which is frivolous or vexatious and is discharged, stayed or dismissed within 20 Business Days of commencement.

(f) *Creditor's process*

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Material Group Company having an aggregate value exceeding the threshold amount set out in paragraph (d) (*Cross default*) above in this Clause 14.1 (*Events of Default*) and is not discharged within 20 Business Days.

(g) *Unlawfulness*

It is or becomes unlawful for an Obligor to perform or comply with any of its obligations under the Finance Documents to the extent this may materially impair:

(i) the ability of such Obligor to perform its obligations under these Bond Terms; or

(ii) the ability of the Bond Trustee or any Security Agent to exercise any material right or power vested to it under the Finance Documents.

14.2 Acceleration of the Bonds

If an Event of Default has occurred and is continuing, the Bond Trustee may, in its discretion in order to protect the interests of the Bondholders, or upon instruction received from the Bondholders pursuant to Clause 14.3 (*Bondholders' instructions*) below, by serving a Default Notice:

(a) declare that the Outstanding Bonds, together with accrued interest and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or

(b) exercise (or direct the Security Agent to exercise) any or all of its rights, remedies, powers or discretions under the Finance Documents or take such further measures as are necessary to recover the amounts outstanding under the Finance Documents.

14.3 Bondholders' instructions

The Bond Trustee shall serve a Default Notice pursuant to Clause 14.2 (*Acceleration of the Bonds*) if:

(a) the Bond Trustee receives a demand in writing from Bondholders representing a simple majority of the Voting Bonds, that an Event of Default shall be declared, and a Bondholders' Meeting has not made a resolution to the contrary; or

(b) the Bondholders' Meeting, by a simple majority decision, has approved the declaration of an Event of Default.

14.4 Calculation of claim

The claim derived from the Outstanding Bonds due for payment as a result of the serving of a Default Notice will be calculated at the call prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*), as applicable at the following dates (and regardless of the Default Repayment Date);

(a) for any Event of Default arising out of a breach of paragraph (a) (*Non-payment*) of Clause 14.1 (*Events of Default*), the claim will be calculated at the call price applicable at the date when such Event of Default occurred; and

(b) for any other Event of Default, the claim will be calculated at the call price applicable at the date when the Default Notice was served by the Bond Trustee.

However, if the situations described in (a) or (b) above takes place prior to the First Call Date, the calculation shall be based on the call price applicable on the First Call Date.

15. BONDHOLDERS' DECISIONS

15.1 Authority of the Bondholders' Meeting

(a) A Bondholders' Meeting may, on behalf of the Bondholders, resolve to alter any of these Bond Terms, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.

(b) The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

(c) The Bondholders' Meeting may not adopt resolutions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders.

(d) Subject to the power of the Bond Trustee to take certain action as set out in Clause 16.1 (*Power to represent the Bondholders*), if a resolution by, or an approval of, the Bondholders is required, such resolution may be passed at a Bondholders' Meeting. Resolutions passed at any Bondholders' Meeting will be binding upon all Bondholders.

(e) At least 50 per cent. of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.

(f) Resolutions will be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in paragraph (g) below.

(g) Save for any amendments or waivers which can be made without resolution pursuant to paragraph (a), section (i) and (ii) of Clause 17.1 (*Procedure for amendments and waivers*), a majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for approval of any waiver or amendment of these Bond Terms.

15.2 Procedure for arranging a Bondholders' Meeting

(a) A Bondholders' Meeting shall be convened by the Bond Trustee upon the request in writing of:

(i) the Issuer;

(ii) Bondholders representing at least 1/10 of the Voting Bonds;

(iii) the Exchange, if the Bonds are listed and the Exchange is entitled to do so pursuant to the general rules and regulations of the Exchange; or

(iv) the Bond Trustee.

The request shall clearly state the matters to be discussed and resolved.

(b) If the Bond Trustee has not convened a Bondholders' Meeting within 10 Business Days after having received a valid request for calling a Bondholders' Meeting pursuant to paragraph (a) above, then the requesting party may call the Bondholders' Meeting itself.

(c) Summons to a Bondholders' Meeting must be sent no later than 10 Business Days prior to the proposed date of the Bondholders' Meeting. The Summons shall be sent to all Bondholders registered in the CSD at the time the Summons is sent from the CSD. If the Bonds are listed, the Issuer shall ensure that the Summons is published in accordance with the applicable regulations of the Exchange. The Summons shall also be published on the website of the Bond Trustee (alternatively by press release or other relevant information platform).

(d) Any Summons for a Bondholders' Meeting must clearly state the agenda for the Bondholders' Meeting and the matters to be resolved. The Bond Trustee may include additional agenda items to those requested by the person calling for the Bondholders' Meeting in the Summons. If the Summons contains proposed amendments to these Bond Terms, a description of the proposed amendments must be set out in the Summons.

(e) Items which have not been included in the Summons may not be put to a vote at the Bondholders' Meeting.

(f) By written notice to the Issuer, the Bond Trustee may prohibit the Issuer from acquiring or dispose of Bonds during the period from the date of the Summons until the date of the Bondholders' Meeting, unless the acquisition of Bonds is made by the Issuer pursuant to Clause 10 (*Redemption and Repurchase of Bonds*).

(g) A Bondholders' Meeting may be held on premises selected by the Bond Trustee, or if paragraph (b) above applies, by the person convening the Bondholders' Meeting (however to be held in the capital of the Relevant Jurisdiction). The Bondholders' Meeting will be opened and, unless otherwise decided by the Bondholders' Meeting, chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting will be opened by a Bondholder and be chaired by a representative elected by the Bondholders' Meeting (the Bond Trustee or such other representative, the "**Chairperson**").

(h) Each Bondholder, the Bond Trustee and, if the Bonds are listed, representatives of the Exchange, or any person or persons acting under a power of attorney for a Bondholder, shall have the right to attend the Bondholders' Meeting (each a "**Representative**"). The Chairperson may grant access to the meeting to other persons not being Representatives, unless the Bondholders' Meeting decides otherwise. In addition, each Representative has the right to be accompanied by an advisor. In case of dispute or doubt with regard to whether a person is a Representative or entitled to vote, the Chairperson will decide who may attend the Bondholders' Meeting and exercise voting rights.

(i) Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders Meeting may resolve to exclude the Issuer's representatives and/or any person holding only Issuer's Bonds (or any representative of such person) from participating in the meeting at certain times, however, the Issuer's representative and any such other person shall have the right to be present during the voting.

(j) Minutes of the Bondholders' Meeting must be recorded by, or by someone acting at the instruction of, the Chairperson. The minutes must state the number of Voting Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the results of the vote on the matters to be decided at the Bondholders' Meeting. The minutes shall be signed by the Chairperson and at least one other person. The minutes will be deposited with the Bond Trustee who shall make available a copy to the Bondholders and the Issuer upon request.

(k) The Bond Trustee will ensure that the Issuer, the Bondholders and the Exchange are notified of resolutions passed at the Bondholders' Meeting and that the resolutions are published on the website of the Bond Trustee (or other relevant electronically platform or press release).

(l) The Issuer shall bear the costs and expenses incurred in connection with convening a Bondholders' Meeting regardless of who has convened the Bondholders' Meeting, including any reasonable costs and fees incurred by the Bond Trustee.

15.3 Voting rules

(a) Each Bondholder (or person acting for a Bondholder under a power of attorney) may cast one vote for each Voting Bond owned on the Relevant Record Date, ref. Clause 3.3 (*Bondholders' rights*). The Chairperson may, in its sole discretion, decide on accepted evidence of ownership of Voting Bonds.

(b) Issuer's Bonds shall not carry any voting rights. The Chairperson shall determine any question concerning whether any Bonds will be considered Issuer's Bonds.

(c) For the purposes of this Clause 15 (*Bondholders' decisions*), a Bondholder that has a Bond registered in the name of a nominee will, in accordance with Clause 3.3 (*Bondholders' rights*), be deemed to be the owner of the Bond rather than the nominee. No vote may be cast by any nominee if the Bondholder has presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*) stating that it is the owner of the Bonds voted for. If the Bondholder has voted directly for any of its nominee registered Bonds, the Bondholder's votes shall take precedence over votes submitted by the nominee for the same Bonds.

(d) Any of the Issuer, the Bond Trustee and any Bondholder has the right to demand a vote by ballot. In case of parity of votes, the Chairperson will have the deciding vote.

15.4 Repeated Bondholders' Meeting

(a) Even if the necessary quorum set out in paragraph (e) of Clause 15.1 (*Authority of the Bondholders' Meeting*) is not achieved, the Bondholders' Meeting shall be held and voting completed for the purpose of recording the voting results in the minutes of the Bondholders' Meeting. The Bond Trustee or the person who convened the initial Bondholders' Meeting may, within 10 Business Days of that Bondholders' Meeting, convene a repeated meeting with the same agenda as the first meeting.

(b) The provisions and procedures regarding Bondholders' Meetings as set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), Clause 15.2 (*Procedure for arranging a*

Bondholders' Meeting) and Clause 15.3 (*Voting rules*) shall apply *mutatis mutandis* to a repeated Bondholders' Meeting, with the exception that the quorum requirements set out in paragraph (d) of Clause 15.1 (*Authority of the Bondholders' Meeting*) shall not apply to a repeated Bondholders' Meeting. A Summons for a repeated Bondholders' Meeting shall also contain the voting results obtained in the initial Bondholders' Meeting.

(c) A repeated Bondholders' Meeting may only be convened once for each original Bondholders' Meeting. A repeated Bondholders' Meeting may be convened pursuant to the procedures of a Written Resolution in accordance with Clause 15.5 (*Written Resolutions*), even if the initial meeting was held pursuant to the procedures of a Bondholders' Meeting in accordance with Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and vice versa.

15.5 Written Resolutions

(a) Subject to these Bond Terms, anything which may be resolved by the Bondholders in a Bondholders' Meeting pursuant to Clause 15.1 (*Authority of the Bondholders' Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any Finance Document to a Bondholders' Meeting shall be construed accordingly.

(b) The person requesting a Bondholders' Meeting may instead request that the relevant matters are to be resolved by Written Resolution only, unless the Bond Trustee decides otherwise.

(c) The Summons for the Written Resolution shall be sent to the Bondholders registered in the CSD at the time the Summons is sent from the CSD and published at the Bond Trustee's web site, or other relevant electronic platform or via press release.

(d) The provisions set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), 15.2 (*Procedure for arranging a Bondholders' Meeting*), Clause 15.3 (*Voting Rules*) and Clause 15.4 (*Repeated Bondholders' Meeting*) shall apply *mutatis mutandis* to a Written Resolution, except that:

(i) the provisions set out in paragraphs (g), (h) and (i) of Clause 15.2 (*Procedure for arranging Bondholders Meetings*); or

(ii) provisions which are otherwise in conflict with the requirements of this Clause 15.5 (*Written Resolution*),

shall not apply to a Written Resolution.

(e) The Summons for a Written Resolution shall include:

(i) instructions as to how to vote to each separate item in the Summons (including instructions as to how voting can be done electronically if relevant); and

(ii) the time limit within which the Bond Trustee must have received all votes necessary in order for the Written Resolution to be passed with the requisite majority (the "**Voting Period**"), which shall be at least 10 Business Days but not more than 15 Business Days from the date of the Summons.

(f) Only Bondholders of Voting Bonds registered with the CSD on the Relevant Record Date, or the beneficial owner thereof having presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*), will be counted in the Written Resolution.

(g) A Written Resolution is passed when the requisite majority set out in paragraph (e) or paragraph (f) of Clause 15.1 (*Authority of Bondholders' Meeting*) has been obtained, based on a quorum of the total number of Voting Bonds, even if the Voting Period has not yet expired. A Written Resolution will also be resolved if the sufficient numbers of negative votes are received prior to the expiry of the Voting Period.

(h) The effective date of a Written Resolution passed prior to the expiry of the Voting Period is the date when the resolution is approved by the last Bondholder that results in the necessary voting majority being obtained.

(i) If no resolution is passed prior to the expiry of the Voting Period, the number of votes shall be calculated at the close of business on the last day of the Voting Period, and a decision will be made based on the quorum and majority requirements set out in paragraphs (e) to (g) of Clause 15.1 (*Authority of Bondholders' Meeting*).

16. THE BOND TRUSTEE

16.1 Power to represent the Bondholders

(a) The Bond Trustee has power and authority to act on behalf of, and/or represent, the Bondholders in all matters, including but not limited to taking any legal or other action, including enforcement of these Bond Terms, and the commencement of bankruptcy or other insolvency proceedings against the Issuer, or others.

(b) The Issuer shall promptly upon request provide the Bond Trustee with any such documents, information and other assistance (in form and substance satisfactory to the Bond Trustee), that the Bond Trustee deems necessary for the purpose of exercising its and the Bondholders' rights and/or carrying out its duties under the Finance Documents.

16.2 The duties and authority of the Bond Trustee

(a) The Bond Trustee shall represent the Bondholders in accordance with the Finance Documents, including, inter alia, by following up on the delivery of any Compliance Certificates and such other documents which the Issuer is obliged to disclose or deliver to the Bond Trustee pursuant to the Finance Documents and, when relevant, in relation to accelerating and enforcing the Bonds on behalf of the Bondholders.

(b) The Bond Trustee is not obligated to assess or monitor the financial condition of the Issuer or any other Obligor unless to the extent expressly set out in these Bond Terms, or to take any steps to ascertain whether any Event of Default has occurred. Until it has actual knowledge to the contrary, the Bond Trustee is entitled to assume that no Event of Default has occurred. The Bond Trustee is not responsible for the valid execution or enforceability of the Finance Documents, or for any discrepancy between the indicative terms and conditions described in any marketing material presented to the Bondholders prior to issuance of the Bonds and the provisions of these Bond Terms.

(c) The Bond Trustee is entitled to take such steps that it, in its sole discretion, considers necessary or advisable to protect the rights of the Bondholders in all matters pursuant to the terms of the Finance Documents. The Bond Trustee may submit any instructions received by it from the Bondholders to a Bondholders' Meeting before the Bond Trustee takes any action pursuant to the instruction.

(d) The Bond Trustee is entitled to engage external experts when carrying out its duties under the Finance Documents.

(e) The Bond Trustee shall hold all amounts recovered on behalf of the Bondholders on separated accounts.

(f) The Bond Trustee will ensure that resolutions passed at the Bondholders' Meeting are properly implemented, provided, however, that the Bond Trustee may refuse to implement resolutions that may be in conflict with these Bond Terms, any other Finance Document, or any applicable law.

(g) Notwithstanding any other provision of the Finance Documents to the contrary, the Bond Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.

(h) If the cost, loss or liability which the Bond Trustee may incur (including reasonable fees payable to the Bond Trustee itself) in:

(i) complying with instructions of the Bondholders; or

(ii) taking any action at its own initiative,

will not, in the reasonable opinion of the Bond Trustee, be covered by the Issuer or the relevant Bondholders pursuant to paragraphs (e) and (g) of Clause 16.4 (*Expenses, liability and indemnity*), the Bond Trustee may refrain from acting in accordance with such instructions, or refrain from taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

(i) The Bond Trustee shall give a notice to the Bondholders before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Bond Trustee under the Finance Documents.

(j) The Bond Trustee may instruct the CSD to split the Bonds to a lower nominal value in order to facilitate partial redemptions, write-downs or restructurings of the Bonds or in other situations where such split is deemed necessary.

16.3 Equality and conflicts of interest

(a) The Bond Trustee shall not make decisions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders. The Bond Trustee shall, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.

(b) The Bond Trustee may act as agent, trustee, representative and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee is entitled to delegate its duties to other professional parties.

16.4 Expenses, liability and indemnity

(a) The Bond Trustee will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss. Irrespective of the foregoing, the Bond Trustee shall have no liability to the Bondholders for damage caused by the Bond Trustee acting in accordance with instructions given by the Bondholders in accordance with these Bond Terms.

(b) The Bond Trustee will not be liable to the Issuer for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss.

(c) Any liability for the Bond Trustee for damage or loss is limited to the amount of the Outstanding Bonds. The Bond Trustee is not liable for the content of information provided to the Bondholders by or on behalf of the Issuer or any other person.

(d) The Bond Trustee shall not be considered to have acted negligently in:

(i) acting in accordance with advice from or opinions of reputable external experts; or

(ii) taking, delaying or omitting any action if acting with reasonable care and provided the Bond Trustee considers that such action is in the interests of the Bondholders.

(e) The Issuer is liable for, and will indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees and agents) in connection with the performance of the Bond Trustee's obligations under the Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the issuance of the Bonds, the entering into or performance under the Finance Documents, and for as long as any amounts are outstanding under or pursuant to the Finance Documents.

(f) The Issuer shall cover all costs and expenses incurred by the Bond Trustee in connection with it fulfilling its obligations under the Finance Documents. The Bond Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents. The Bond Trustee's obligations under the

Finance Documents are conditioned upon the due payment of such fees and indemnifications. The fees of the Bond Trustee will be further set out in the Bond Trustee Fee Agreement.

(g) The Issuer shall on demand by the Bond Trustee pay all costs incurred for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event or circumstance which the Bond Trustee reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer or any of the Finance Documents which the Bond Trustee reasonably believes may constitute or lead to a breach of any of the Finance Documents or otherwise be detrimental to the interests of the Bondholders under the Finance Documents.

(h) Fees, costs and expenses payable to the Bond Trustee which are not reimbursed in any other way due to an Event of Default, the Issuer being Insolvent or similar circumstances pertaining to any Obligor, may be covered by making an equal reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee or the Security Agent in connection therewith. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from the Issuer or any other person, irrespective of such funds being subject to Transaction Security, and to set-off and cover any such costs and expenses from those funds.

(i) As a condition to effecting any instruction from the Bondholders (including, but not limited to, instructions set out in Clause 14.3 (*Bondholders' instructions*) or Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*)), the Bond Trustee may require satisfactory Security, guarantees and/or indemnities for any possible liability and anticipated costs and expenses from those Bondholders who have given that instruction and/or who voted in favour of the decision to instruct the Bond Trustee.

16.5 Replacement of the Bond Trustee

(a) The Bond Trustee may be replaced by a majority of 2/3 of Voting Bonds in accordance with the procedures set out in Clause 15 (*Bondholders' Decisions*), and the Bondholders may resolve to replace the Bond Trustee without the Issuer's approval.

(b) The Bond Trustee may resign by giving notice to the Issuer and the Bondholders, in which case a successor Bond Trustee shall be elected pursuant to this Clause 16.5 (*Replacement of the Bond Trustee*), initiated by the retiring Bond Trustee.

(c) If the Bond Trustee is Insolvent, or otherwise is permanently unable to fulfil its obligations under these Bond Terms, the Bond Trustee shall be deemed to have resigned and a successor Bond Trustee shall be appointed in accordance with this Clause 16.5 (*Replacement of the Bond Trustee*). The Issuer may appoint a temporary Bond Trustee until a new Bond Trustee is elected in accordance with paragraph (a) above.

(d) The change of Bond Trustee shall only take effect upon execution of all necessary actions to effectively substitute the retiring Bond Trustee, and the retiring Bond Trustee undertakes to co-operate in all reasonable manners without delay to such effect. The retiring Bond Trustee shall be discharged from any further obligation in respect of the Finance Documents from the change takes effect, but shall remain liable under the

Finance Documents in respect of any action which it took or failed to take whilst acting as Bond Trustee. The retiring Bond Trustee remains entitled to any benefits and any unpaid fees or expenses under the Finance Documents before the change has taken place.

(e) Upon change of Bond Trustee, the Issuer shall co-operate in all reasonable manners without delay to replace the retiring Bond Trustee with the successor Bond Trustee and release the retiring Bond Trustee from any future obligations under the Finance Documents and any other documents.

16.6 Security Agent

(a) The Bond Trustee is appointed to act as Security Agent for the Bonds, unless any other person is appointed. The main functions of the Security Agent may include holding Transaction Security on behalf of the Secured Parties and monitoring compliance by the Issuer and other relevant parties of their respective obligations under the Transaction Security Documents with respect to the Transaction Security on the basis of information made available to it pursuant to the Finance Documents.

(b) The Bond Trustee shall, when acting as Security Agent for the Bonds, at all times maintain and keep all certificates and other documents received by it, that are bearers of right relating to the Transaction Security in safe custody on behalf of the Bondholders. The Bond Trustee shall not be responsible for or required to insure against any loss incurred in connection with such safe custody.

(c) Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.

(d) The functions, rights and obligations of the Security Agent may be determined by a Security Agent Agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require each Obligor and any other party to a Finance Document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters, whether or not a separate Security Agent Agreement has been entered into.

(e) The provisions set out in Clause 16.4 (*Expenses, liability and indemnity*) shall apply *mutatis mutandis* to any expenses and liabilities of the Security Agent in connection with the Finance Documents.

17. AMENDMENTS AND WAIVERS

17.1 Procedure for amendments and waivers

(a) The Issuer and the Bond Trustee (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive a past default or anticipated failure to comply with any provision in a Finance Document, provided that:

  (i) such amendment or waiver is not detrimental to the rights and benefits of the Bondholders in any material respect, or is made solely for the purpose of rectifying obvious errors and mistakes;

(ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or

(iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 15 (*Bondholders' Decisions*).

(b) Any changes to these Bond Terms necessary or appropriate in connection with the appointment of a Security Agent other than the Bond Trustee shall be documented in an amendment to these Bond Terms, signed by the Bond Trustee (in its discretion). If so desired by the Bond Trustee, any or all of the Transaction Security Documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

17.2 Authority with respect to documentation

If the Bondholders have resolved the substance of an amendment to any Finance Document, without resolving on the specific or final form of such amendment, the Bond Trustee shall be considered authorised to draft, approve and/or finalise (as applicable) any required documentation or any outstanding matters in such documentation without any further approvals or involvement from the Bondholders being required.

17.3 Notification of amendments or waivers

(a) The Bond Trustee shall as soon as possible notify the Bondholders of any amendments or waivers made in accordance with this Clause 17 (*Amendments and waivers*), setting out the date from which the amendment or waiver will be effective, unless such notice according to the Bond Trustee's sole discretion is unnecessary. The Issuer shall ensure that any amendment to these Bond Terms is duly registered with the CSD.

(b) Prior to agreeing to an amendment or granting a waiver in accordance with Clause 17.1 (*Procedure for amendments and waivers*), the Bond Trustee may inform the Bondholders of such waiver or amendment at a relevant information platform.

18. MISCELLANEOUS

18.1 Limitation of claims

All claims under the Finance Documents for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of the Relevant Jurisdiction.

18.2 Access to information

(a) These Bond Terms will be made available to the public and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee will not have any obligation to distribute any other information to the Bondholders or any other person, and the Bondholders have no right to obtain information from the Bond Trustee, other than as explicitly stated in these Bond Terms or pursuant to statutory provisions of law.

(b) In order to carry out its functions and obligations under these Bond Terms, the Bond Trustee will have access to the relevant information regarding ownership of the Bonds, as recorded and regulated with the CSD.

(c) The information referred to in paragraph (b) above may only be used for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

18.3 Notices, contact information

Written notices to the Bondholders made by the Bond Trustee will be sent to the Bondholders via the CSD with a copy to the Issuer and the Exchange (if the Bonds are listed). Any such notice or communication will be deemed to be given or made via the CSD, when sent from the CSD.

(a) The Issuer's written notifications to the Bondholders will be sent to the Bondholders via the Bond Trustee or through the CSD with a copy to the Bond Trustee and the Exchange (if the Bonds are listed).

(b) Notwithstanding paragraph (a) above and provided that such written notification does not require the Bondholders to take any action under the Finance Documents, the Issuer's written notifications to the Bondholders may be published by the Bond Trustee on a relevant information platform only.

(c) Unless otherwise specifically provided, all notices or other communications under or in connection with these Bond Terms between the Bond Trustee and the Issuer will be given or made in writing, by letter, e-mail or fax. Any such notice or communication will be deemed to be given or made as follows:

(i) if by letter, when delivered at the address of the relevant party;

(ii) if by e-mail, when received;

(iii) if by fax, when received; and

(iv) if by publication on a relevant information platform, when published.

(d) The Issuer and the Bond Trustee shall each ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.

(e) When determining deadlines set out in these Bond Terms, the following will apply (unless otherwise stated):

(i) if the deadline is set out in days, the first day of the relevant period will not be included and the last day of the relevant period will be included;

(ii) if the deadline is set out in weeks, months or years, the deadline will end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline will be the last day of such month; and

(iii) if a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Day.

18.4 Defeasance

(a) Subject to paragraph (b) below and provided that:

(i) an amount sufficient for the payment of principal and interest on the Outstanding Bonds to the relevant Repayment Date (including, to the extent applicable, any premium payable upon exercise of a Call Option), and always subject to paragraph (c) below (the "**Defeasance Amount**") is credited by the Issuer to an account in a financial institution acceptable to the Bond Trustee (the "**Defeasance Account**");

(ii) the Defeasance Account is irrevocably pledged and blocked in favour of the Bond Trustee on such terms as the Bond Trustee shall request (the "**Defeasance Pledge"**); and

(iii) the Bond Trustee has received such legal opinions and statements reasonably required by it, including (but not necessarily limited to) with respect to the validity and enforceability of the Defeasance Pledge,

then;

(A) the Issuer will be relieved from its obligations under paragraph (a) of Clause 12.2 (*Requirements as to Financial Reports*), Clause 12.3 (*Put Option Event*), Clause 12.4 (*Information: Miscellaneous*) and Clause 13 (*General and financial undertakings*);

(B) any Transaction Security shall be released and the Defeasance Pledge shall be considered replacement of the Transaction Security; and

(C) any Obligor shall be released from any Guarantee or other obligation applicable to it under any Finance Document.

(b) The Bond Trustee shall be authorised to apply any amount credited to the Defeasance Account towards any amount payable by the Issuer under any Finance Document on the due date for the relevant payment until all obligations of the Issuer and all amounts outstanding under the Finance Documents are repaid and discharged in full.

(c) The Bond Trustee may, if the Defeasance Amount cannot be finally and conclusively determined, decide the amount to be deposited to the Defeasance Account in its discretion, applying such buffer amount as it deems necessary.

A defeasance established according to this Clause 18.4 (*Defeasance*) may not be reversed.

19. GOVERNING LAW AND JURISDICTION

19.1 Governing law

These Bond Terms are governed by the laws of the Relevant Jurisdiction, without regard to its conflict of law provisions.

19.2 Main jurisdiction

The Bond Trustee and the Issuer agree for the benefit of the Bond Trustee and the Bondholders that the City Court of the capital of the Relevant Jurisdiction shall have jurisdiction with respect to any dispute arising out of or in connection with these Bond Terms. The Issuer agrees for the benefit of the Bond Trustee and the Bondholders that any legal action or proceedings arising out of or in connection with these Bond Terms against the Issuer or any of its assets may be brought in such court.

19.3 Alternative jurisdiction

Clause 19 (*Governing law and jurisdiction*) is for the exclusive benefit of the Bond Trustee and the Bondholders and the Bond Trustee have the right:

(a) to commence proceedings against the Issuer or any other Obligor or any of their respective assets in any court in any jurisdiction; and

(b) to commence such proceedings, including enforcement proceedings, in any competent jurisdiction concurrently.

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These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

SIGNATURES:

The Issuer:	**The Ultimate Parent:**
MODEX AS ……………………………………………… By: Boo Choong Wei Desmond Position: Attorney-in-Fact	MODEX HOLDING LIMITED ……………………………………………… By: Boo Choong Wei Desmond Position: Attorney-in-Fact
As Bond Trustee and Security Agent: NORDIC TRUSTEE AS ……………………………………………… By: Position:	

These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

SIGNATURES:

The Issuer: MODEX AS .... By: Position:	**The Ultimate Parent:** MODEX HOLDING LIMITED .... By: Position:
As Bond Trustee and Security Agent: NORDIC TRUSTEE AS .... By: Olav Slagsvold Position: Authorised signatory	

ATTACHMENT 1
COMPLIANCE CERTIFICATE

[date]

Modex AS FRN senior secured NOK 550,000,000 bonds 2021/2026 ISIN NO0010932460

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 12.2 (*Requirements as to Financial Reports*) of the Bond Terms a Compliance Certificate shall be issued in connection with each delivery of Financial Reports to the Bond Trustee.

This letter constitutes the Compliance Certificate for the period [•].

Capitalised terms used herein will have the same meaning as in the Bond Terms.

With reference to Clause 12.2 (*Requirements as to Financial Reports*), we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate. Copies of our latest consolidated [Annual Financial Statements] / [Interim Accounts] are enclosed.

[With reference to Clause 13.13 (*Designation of Material Group Companies*), we hereby nominate the following Material Group Companies: [•].]

[The Financial Covenants set out in Clause 13.19 (*Financial Covenants*) are met, please see the calculations and figures in respect of the ratios attached hereto.]

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.

Yours faithfully,
Modex AS

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Name of authorised person

Enclosure: Annual Financial Statements / Interim Accounts; [and any other written documentation]

ATTACHMENT 2
RELEASE NOTICE – ESCROW ACCOUNT

[date]

Dear Sirs,

Modex AS FRN senior secured NOK 550,000,000 bonds 2021/2026 ISIN NO0010932460

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer.

Capitalised terms used herein will have the same meaning as in the Bond Terms.

We hereby give you notice that we on [date] wish to draw an amount of [currency and amount] from the Escrow Account applied pursuant to the purpose set out in the Bond Terms, and request you to instruct the bank to release the above mentioned amount.

We hereby represent and warrant that (i) no Event of Default has occurred and is continuing or is likely to occur as a result of the release from the Escrow Account, (ii) no indebtedness, security or guarantees exist which is not permitted by the Bond Terms, and (iii) we repeat the representations and warranties set out in the Bond Terms as being still true and accurate in all material respects at the date hereof.

Yours faithfully,
Modex AS

____

Name of authorized person

Enclosure: [a funds flow statement evidencing that the funds released will be used in accordance with the purpose of the Bond Issue and that the Issuer has sufficient funds available to repay the Existing Debt in full]

ATTACHMENT 3
AGREED SECURITY PRINCIPLES

(a) Security will be given by a Group Company, over such types of assets or asset classes provided as security under the Security or to the extent required to grant security over any shares (ownership interests) in any company becoming a Material Group Company.

(b) General statutory and customary limitations (e.g. financial assistance, corporate benefit and retention of title claims) may limit the ability of a Group Company to provide security or guarantee without inclusion of provisions limiting the responsibility for granting full legal valid and perfected security or guarantee or require that such security or guarantee is limited by an amount or otherwise.

(c) The security and extent of its perfection and scope shall take into account the cost, work and time of providing security which (in the Security Agent's sole discretion) must be proportionate to the benefit accruing to the Secured Parties.

(d) Group Companies will not be required to give guarantees or enter into security documents if it would:

(i) result in any breach of corporate benefit, financial assistance, fraudulent preference or thin capitalisation laws or regulations (or analogous restrictions) of any applicable jurisdiction;

(ii) result in a significant risk to the officers of the relevant Group Company of contravention of their fiduciary duties and/or of civil or criminal liability,

unless such guarantees or security documents are accompanied by relevant provisions (limitation language) limiting the potential liability for the relevant Group Company, its management, officers or other employees.

(e) Security over monetary claims under insurance contracts shall exclude liability insurances and other third-party insurance.

(f) Security over bank accounts shall exclude (i) accounts in cash pool arrangement which are not, under the terms for those arrangements, bank accounts, (ii) tax deduction accounts (No: *skattetrekkskonti*), escrow or cash collateral accounts providing permitted security and (iii) such accounts which, under the policies of the account bank, cannot or shall not be subject to third party security.

(g) Any assets subject to pre-existing third party arrangements which are permitted by the Finance Documents, RCF Finance Documents or any other contractual restrictions on assignments or absence of necessary regulations, registrations or similar, and which prevent those assets from being charged if so required by paragraph (a) above, will be excluded from any relevant security document but the relevant Material Group Company must use its reasonable endeavours to obtain consent to charging any such assets if the relevant asset is material.

(h) Security documents shall operate to create security rather than to impose any new commercial obligations or restrictions on use of the assets in the relevant Group Company's ordinary course of business prior to an event of default (i.e. blocking, transfer of title or similar) and shall, accordingly, not contain additional or duplicate representations or undertakings to those contained in the Finance Documents or RCF Finance Documents unless required for the creation, perfection, effectiveness or preservation of the security.

(i) Notwithstanding paragraph (a) above, guarantees and security will not be required from or over the assets of any joint venture or similar arrangement or any company in which a Group Company holds a minority interest.

(j) Perfection of security will not be required if it would materially and adversely affect the ability of the relevant Group Company to conduct its operations or business in the ordinary course.

(k) Security will not be enforceable until an event of default has occurred and is continuing and an acceleration notice has been served to the relevant debtors.

(l) The Security Agent shall only be able to:

  (i) exercise any powers of attorney (including, but not limited to, in respect of voting rights appertaining to any shares) granted under any security document or have the right to receive any dividends if an event of default has occurred and is continuing and, unless (in the sole opinion of the Security Agent) it could have an adverse effect on the interest of the Secured Parties, the Security Agent has given notice of its intention to exercise such powers of attorney, voting rights or dividend rights (as applicable), upon which such rights may no longer be exercised by the relevant pledgor; and

  (ii) exercise any powers of attorney granted under any security document in relation to actions for perfecting and maintaining security if and when the relevant Obligor has failed to comply with a further assurance or perfection obligation within 5 Business Days of receiving prior notice of it.