

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) LISTING MANUAL (THE “LISTING MANUAL”)

Pursuant to Rule 704(5) of the Listing Manual of the SGX-ST, the board of directors (the “**Board**”) of Pacific Radiance Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditor, Ernst & Young LLP, had included a disclaimer of opinion in the Independent Auditor’s Report on the financial statements for the financial year ended 31 December 2020 (“**FY2020**”).

An extract of the Independent Auditor’s Report is set out as below:-

“Disclaimer of Opinion

We were engaged to audit the financial statements of Pacific Radiance Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

Carrying amount of bank loans, associated accrued interest payables (“bank loan liabilities”) and finance costs

As disclosed in Note 3, the Group did not receive continuing updates from bank lenders regarding the computation of interest expenses post suspension of certain debt obligations and has had to make various assumptions in determining the finance costs, carrying amounts of accrued interest payables and bank loans to be recorded in the financial statements. The combined effect of these assumptions may have a material impact on the carrying amount of the bank loan liabilities as at 31 December 2020.

We did not receive independent bank confirmations from some of the banks and were not able to obtain sufficient information to verify the reconciling differences against the confirmation reply from one bank. The Group has concluded that the carrying amount of the bank loan liabilities remain reasonable and appropriate based on the contractual terms of the loan facilities. However, we were unable to obtain sufficient appropriate audit evidence to determine whether the bank loan liabilities and the associated accrued interest payables are appropriately stated as at 31 December 2020. Consequently, we are also unable to determine whether any adjustment is required to the finance costs recorded in profit or loss for the year ended 31 December 2020.

Use of the going concern assumption

As disclosed in Note 2, the Group's current liabilities exceeded its current assets by US\$544,241,000 and its total liabilities exceeded its total assets by US\$301,921,000 as at 31 December 2020. For the financial year ended 31 December 2020, the Group generated a net loss of US\$58,442,000, which included impairment charges on property, plant and equipment, doubtful trade receivables and amount due from related companies amounting to US\$43,126,000. Additionally, the Company's current and total liabilities exceeded its current and total assets by US\$173,303,000 as at 31 December 2020.

As further disclosed in Note 2, 10 and 24 to the financial statements, the Group had assets with a carrying value of US\$189,098,000 as at 31 December 2020 that have been mortgaged to the banks to secure the Group's bank loans. In 2017, the Group breached certain terms of the bank loans and commenced discussion with bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure. The Group had an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group. Discussions with bank lenders and potential investors are still ongoing. In 2018, a vendor had filed winding up applications with the High Court of the Republic of Singapore (the "Court") against certain entities of the Group in relation to statutory demands for payment for services. The Court has granted the Company and certain entities of the Group moratoria which have been extended to 30 April 2021.

As disclosed more fully in Note 2, the major secured creditors of the Group have entered into a letter of agreement (the "Letter Agreement") with an owner of offshore support vessels (the "Third Financier") for the proposed acquisition of loan receivables and all related rights, claims and securities in relation to all loans and arrangements provided by these creditors for the financing of the Group (the "Loans"). The Company is working towards having a separate letter of agreement executed with the Third Financier to, following the acquisition of the Loans, restructure the Loans through the purchase of vessels from the Group so as to release and discharge the Group of its liabilities in relation to the Loans and to collaborate with the Group and appoint the Group as ship managers of the vessels with ship management contracts.

In addition, the Company had commenced a consent solicitation exercise to seek approval from the noteholders for the proposed restructuring of the notes payable. As disclosed in Note 25, no quorum was present and the meeting was adjourned and will be reconvened on 16 April 2021. The redemption of the notes payable will be subject to shareholders' approval.

The Group is also working in parallel to restructure its remaining liabilities through bi-lateral agreements and a scheme of arrangement to be proposed between the relevant entities of the Group and their respective creditors under Section 210(1) of the Companies Act (the "Scheme"). Due diligence on the Group by the Third Financier is progressing and the definitive agreements are being negotiated between the relevant parties. The Group is working closely with all stakeholders to ensure that the restructuring can be completed in an expedient manner.

These factors give rise to material uncertainties on the appropriateness of the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and the Company.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Responsibilities of Auditor for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

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

Shareholders of the Company are advised to read the Independent Auditor's Report and the Group's financial statements for FY2020 in the Company's annual report, which is available for viewing and download from the Company's corporate website at the URL <https://pacificradiancelistedcompany.com/ar.html> and on the SGX website at the URL <https://www.sgx.com/securities/annual-reports-related-document> from 14 April 2021.

Trading of the Company's securities on the SGX-ST has been voluntarily suspended by the Company on 28 February 2018.

Shareholders and Noteholders are advised to read this announcement and any further announcements by the Company carefully. There is no certainty or assurance as at the date of this announcement that any definitive agreements in relation to any transactions will be entered into or that Investment B, including the Restructuring, will be completed at all. Shareholders and Noteholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the action they should take.

By Order of the Board of
Pacific Radiance Ltd.

Pang Yoke Min
Executive Chairman

14 April 2021