

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 2019 (“**FY2019**”).

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 2019, 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 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 matter 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

Use of the going concern assumption

As disclosed in Note 2, the Group’s current and total liabilities exceeded its current and total assets by US\$517,458,000 and US\$242,450,000 respectively as at 31 December 2019. For the financial year ended 31 December 2019, the Group generated a net loss of US\$83,360,000, which included impairment charges of US\$50,571,000, and generated a negative operating cash flow of US\$499,000. Additionally, the Company’s current liabilities and total liabilities exceeded its current and total assets by US\$163,122,000 and US\$163,117,000 respectively as at 31 December 2019.

As further disclosed in Note 2, 10, 25 and 40 to the financial statements, the Group had assets with a carrying value of US\$221,389,000 as at 31 December 2019 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 29 May 2020.

As disclosed more fully in Note 2, the Group had approached potential funders to extend financing to the Group and was in advanced discussion with one of the funders (“first funder”) in order to finance a proposed acquisition and to repay existing indebtedness of the Group. The discussions with the first funder had stalled and the Group is currently in discussion with a second funder who had shown keen interest in the Group.

In addition, as disclosed in Note 26 and Note 40, on 26 March 2020, the Company announced that the redemption of the notes payable will not take place on 31 March 2020 as conditions for redemption have not been fulfilled.

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. 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 FY2019 in the Company’s annual report, which will be despatched in due course.

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

15 April 2020