

UPDATE ON RESTRUCTURING
- PRINCIPAL TERMS OF DEBT RESTRUCTURING

1. BACKGROUND

- 1.1. The board of directors (the “**Board**” or the “**Directors**”) of Pacific Radiance Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcements dated 13 May 2019, 22 August 2019, 26 August 2019, 20 January 2020, 26 March 2020, 24 April 2020, 6 November 2020, 9 February 2021, 22 April 2021 and 27 April 2021 in relation to the updates on the Debt Restructuring (“**Previous Announcements**”). Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings given to them in the Previous Announcements.
- 1.2. The Company had previously announced on 6 November 2020 that the major secured creditors of the Group had reached an agreement with the Third Financier to acquire the Loans and all related rights, claims and securities in relation to the Loans. At that time, the Third Financier was in discussion with the Company to restructure the acquired 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.

2. DEBT RESTRUCTURING PLAN

- 2.1. The Board wishes to inform that the Third Financier (referred to in the Previous Announcements) is ENAV Offshore Mexico S de RL de CV (“**ENAV**”). Following discussions between the Company, ENAV and the Lenders, the restructuring of the Group’s balance sheet and reorganisation of its business model with a view to continuing as a going concern (“**Debt Restructuring Plan**”) will no longer involve the acquisition of the Loans by ENAV. The said restructuring will instead involve only the purchase by ENAV of the vessels (“**Sale Vessels**”) of the Group (which were mortgaged to the lenders (“**Lenders**”) of the Group) and the procurement by ENAV of the discharge of part of the secured indebtedness presently owed by the Group to the Lenders. In addition to the foregoing, the restructuring of the Group’s balance sheet will also involve, amongst other things, the restructuring of the remaining debt obligations owed to the Lenders and other creditors of the Group (including trade creditors) via court-sanctioned schemes of arrangement and debt restructuring agreements. ENAV will also appoint the Group as ship managers for majority of the Sale Vessels via ship management contracts in relation to the Sale Vessels (further details of which are set out in this announcement).
- 2.2. Further, the Board wishes to update that the Company, ENAV and major Lenders have in-principle agreed to progress into definitive agreements on the following principal terms on a non-binding basis (the “**Tripartite Terms**”) for:
- (a) the transfer of the Sale Vessels and accompanying income and revenue streams from the Group to one or more special purpose company(ies) majority owned by ENAV (the “**SPC**”) (the “**Asset Transfer**”); and
 - (b) the consensual discharge of part of the secured indebtedness owed by the Group to the Lenders,
- (collectively the “**Proposed Disposal**”).

The relevant parties are working towards entering into definitive agreements to implement the Proposed Disposal.

- 2.3. In conjunction with the Proposed Disposal, the Company has entered into a non-binding term sheet with ENAV dated 29 June 2021 (the “**PRL-ENAV Term Sheet**”) setting out certain commercial terms of the Proposed Disposal (including pre-completion covenants and other assurances in favour of ENAV and the SPC), as well as commercial arrangements between the Company and ENAV in relation to ship management of majority of the Sale Vessels post-completion of the Proposed Disposal.
- 2.4. The Company has been informed that for the purposes of implementing the Proposed Disposal, Mr. Pang Yoke Min, Mr. Pang Wei Meng and Mr. Pang Wei Kuan, James (collectively, the “**PRL Key Management**”) have on 29 June 2021 entered into a non-binding term sheet with ENAV (the “**SPC Term Sheet**”) containing certain commercial terms of an equity commitment by the PRL Key Management and ENAV in the SPC.
- 2.5. The transactions contemplated under the Tripartite Terms, the PRL-ENAV Term Sheet and the SPC Term Sheet are part of the Debt Restructuring Plan to restructure the Group’s balance sheet and reorganise its business model with a view to continuing as a going concern.

3. FEATURES OF THE DEBT RESTRUCTURING PLAN

- 3.1. The Debt Restructuring Plan requires the implementation of the following key aspects:
 - (a) the Proposed Disposal (which includes the discharge thereunder of part of the Group’s secured indebtedness owed to the Lenders);
 - (b) the restructuring of the remaining debt obligations in relation to the Sale Vessels owed to three (3) of the Lenders which would still remain after completion of the Proposed Disposal, and other creditors (including trade creditors), via court-sanctioned schemes of arrangement of the Company’s two (2) subsidiaries, Pacific Crest Pte Ltd (“**PCPL**”) and CSI Offshore Pte Ltd (“**CSIO**”), which hold the majority of the Sale Vessels (“**Proposed Schemes of Arrangement**”);
 - (c) in relation to one (1) of the Lenders, the consensual restructuring of the loan associated with the Company’s office and shipyard complex;
 - (d) in relation to two (2) of the Lenders and one (1) of those Lender’s related entities, the consensual restructuring of the unsecured debt obligations of the Group (apart from PCPL and CSIO) which would still remain after completion of the Proposed Disposal;
 - (e) the consensual restructuring of the Notes, being the S\$100,000,000 4.30 Per Cent. Notes Due 2020 comprised in Series 001 (ISIN: SG6SF2000004) issued under the S\$1,000,000,000 multicurrency debt issuance programme of the Company pursuant to the consent solicitation exercise (the “**Third Consent Solicitation Exercise**”);
 - (f) in relation to three (3) of the Lenders, the consensual restructuring of various cross-currency swap facilities entered into in connection with the Notes;
 - (g) the Company entering into ship management contracts with the SPC to manage majority of the Sale Vessels after completion of the Proposed Disposal; and
 - (h) the commitment by the PRL Key Management to participate in the equity of the SPC pursuant to the SPC Term Sheet, which was required to be entered into for ENAV to agree to the Proposed Disposal and the PRL-ENAV Term Sheet (and for further details of the SPC Term Sheet, please refer to paragraph 7 below).

The Extraordinary Resolution under the Third Consent Solicitation Exercise was approved by the holders of the Notes on 21 April 2021. Please refer to the Company's SGXNET announcement dated 22 April 2021 for further details.

4. INFORMATION ON ENAV

Information relating to ENAV in this paragraph and elsewhere in this announcement was provided by ENAV. Neither the Company nor the Board have independently verified the accuracy and correctness of such information.

- 4.1. ENAV is a Mexican offshore support vessel owner and operator that services the Mexican and international offshore industry. ENAV is headquartered in Mexico City and has a presence in Houston, Singapore and Ciudad del Carmen. Its existing fleet comprises vessels flagged in Mexico and Marshall Islands. Further information on ENAV and its management team can be found on its webpage: <https://www.enavoffshore.com/>.
- 4.2. ENAV is a current business partner of the Company. In November 2019, ENAV had entered into a technical management agreement with the Company to utilise the Group's capabilities and systems to operate the first deliveries of part of ENAV's offshore fleet.

5. THE TRIPARTITE TERMS

The Tripartite Terms comprise the key commercial terms of the Proposed Disposal, and form the basis upon which the Lenders would consent to and participate in the Proposed Disposal, including the discharge of part of the secured indebtedness owed by the Group to the Lenders, with the remaining indebtedness dealt with mainly by way of the Proposed Schemes of Arrangement. The relevant parties have progressed with the preparation and negotiations of the definitive agreements in relation to the Proposed Disposal based on the Tripartite Terms, in line with the preference of the majority of the Lenders.

Applications in relation to the Proposed Schemes of Arrangement to restructure the remaining debt obligations owed by the Group to the Lenders and other creditors are to be made to the High Court of Singapore (the "**High Court**") as soon as possible. The Proposed Schemes of Arrangement are subject to the completion of the Proposed Disposal occurring and the meetings in relation thereto are to be held after the Proposed Disposal. The implementation of the Proposed Schemes of Arrangement is intended to be conditional upon the sanction by the High Court of the Proposed Schemes of Arrangement and the entry into further debt restructuring agreements as described under paragraph 3.1(c), (d) and (f).

6. THE PRL-ENAV TERM SHEET

The definitive agreement to implement the Proposed Disposal (pursuant to the Tripartite Terms) shall be executed simultaneously with an addendum between the relevant members of the Group and the SPC ("**PRL-ENAV Addendum**"). The PRL-ENAV Addendum is intended to be aligned with the terms of the PRL-ENAV Term Sheet and will set out, amongst other things, pre-completion covenants and other assurances in favour of the SPC, as well as any other commercial arrangements between the Company and ENAV such as those in relation to ship management. Customary representations, warranties and indemnities, including in relation to the Asset Transfer, that the legal and beneficial title to the Sale Vessels is free from encumbrances, are to be given by the Group, on the understanding that encumbrances created in favour of the Lenders will be discharged on completion of the Asset Transfer.

The parties to the PRL-ENAV Addendum will discuss and seek to agree on ship management agreements between the SPC and the Company on mutually acceptable terms for majority of the Sale Vessels to be managed by the Group, premised on there being no change of control of the Group and the completion of the Debt Restructuring Plan. ENAV and/or the SPC reserves the right to itself manage or entrust the ship management of vessels to any third party located on the world's western hemisphere. Change of control of the Group shall be taken to have

occurred when the Company or the PRL Key Management is unable to produce any documentation to evidence or prove effectively that the PRL Key Management still have management control of the Group. The Company is required to immediately inform ENAV of any change of control or any change in management of the Group. In this regard, the PRL Key Management will be issued shares in the Company ("**Proposed Share Issuance to PRL Key Management**") and warrants in the share capital of the Company ("**Proposed Warrant Issuance to PRL Key Management**"), so as to maintain their control of the Company. The Proposed Share Issuance and the Proposed Warrant Issuance to PRL Key Management will be proposed at an extraordinary general meeting of the Company to be convened. A further announcement with more information on the Proposed Share Issuance to PRL Key Management and the Proposed Warrant Issuance to PRL Key Management will be made in due course.

In consideration of the commitment by ENAV to discuss and seek to agree on ship management agreements between the SPC and the Company for majority of the Sale Vessels to be managed by the Group, the Company agrees to pay a commitment fee ("**Commitment Fee**") to the SPC on completion of the Proposed Disposal. If the Group is successful at restructuring its existing liabilities via the Proposed Schemes of Arrangement at its own costs, a portion of the Commitment Fee shall be refunded to the Group, subject to any claims of the SPC against the Group under the PRL-ENAV Addendum.

In consideration of the SPC agreeing to the ship management agreements between the SPC and the Company, the Group shall grant the SPC the exclusive right to receive, evaluate and/or accept any business leads, opportunities and/or engagements for the Sale Vessels, prior to the Group being free to pursue, act on, or accept them independently from the SPC on terms not more favourable than those presented to the SPC.

7. THE SPC TERM SHEET

The SPC Term Sheet sets out key commercial terms upon which the PRL Key Management commits to co-invest in the SPC, initially with a minority equity interest not exceeding 15%.

ENAV will make available to the PRL Key Management a loan (to be disbursed directly to the SPC) to fund up to 100% of the PRL Key Management's portion of its initial commitment to co-invest in the SPC ("**SPC Loan**"). The tenor of the loan is three (3) years, with interest chargeable on the SPC Loan. The PRL Key Management will pledge their shares in the SPC to ENAV as security for the SPC Loan.

The PRL Key Management will be eligible for one (1) board seat on the SPC (out of a maximum of four (4) board seats), having regard to their minority investment in the SPC. In addition, the PRL Key Management shall be entitled to receive investment returns (in the form of distributions) beyond their pro rata equity investment if certain performance indicators are met. Such investment returns will however not exceed 30% of distributions made by the SPC from time to time.

The SPC Term Sheet also contemplates a collaboration between PRL Key Management and ENAV to explore and/or collaborate on all business leads, opportunities and/or engagements in relation to the Sale Vessels, as well as covenants by which PRL Key Management will stand behind the warranties and undertakings given by the Company in relation to the Sale Vessels.

8. COMPLETION

Completion of the Proposed Disposal and the transactions contemplated under the PRL-ENAV Term Sheet and the SPC Term Sheet is subject to customary conditions precedent and relevant approvals being obtained, including approvals of Shareholders, Lenders and other creditors in relation to the Debt Restructuring Plan (as required), as well as the administrative procedures, registrations or filings with governmental authorities as are necessary to effect the Debt Restructuring Plan.

9. EXCLUSIVITY

The relevant parties agree that under the Tripartite Terms, the PRL-ENAV Term Sheet and the SPC Term Sheet, each relevant party shall work exclusively with the other parties to finalise the definitive agreements. Save for the SPC Term Sheet which has an exclusivity period for 120 days following the date thereof, the exclusivity periods are automatically extended for rolling periods of one (1) week each unless terminated by no less than one (1) week's prior written notice given by one party to the other parties.

10. RATIONALE OF THE DEBT RESTRUCTURING PLAN

- 10.1. As announced in the Previous Announcements, the Group's business is unable to sustain its payment obligation to its creditors. The Debt Restructuring Plan involves the settlement of its indebtedness to the Lenders and the discharge of its remaining indebtedness via the Proposed Schemes of Arrangement. Discussions and negotiations with relevant stakeholders to implement the various transactions required by this Debt Restructuring Plan have now been ongoing for about a year now. The Group has, in the past number of years, carried out extensive investor searches and undertaken concerted negotiations with a number of them. The Board believes that it has exhausted all options. Given the continuing uncertain external conditions and the state of the industry in which the Group operates, compounded by the COVID-19 pandemic which hurt investor sentiment severely, it is unlikely that an alternative proposal from the current one offered by ENAV will emerge. Without the Debt Restructuring Plan, the Group is likely to face liquidation and prospects for recovery for unsecured creditors and Shareholders will be practically nil.
- 10.2. The Debt Restructuring Plan has the support of major Lenders and allows the Group to dispose almost its entire fleet of vessels to a single buyer (namely, the SPC) rather than on a break-up basis, and to continue to carry on business thereafter. The Group has been paring manpower and other operating costs to transition to a lean capital structure. Following completion of the Debt Restructuring Plan, the Group believes it can be viable as a going concern. Drawing on the Group's experience, the Group proposes to pivot to an asset-light business of ship management in the near term, beginning with the management of the Sale Vessels for the SPC. Long term priorities will include creating new business streams through charter-in vessels, diversifying to offshore wind farm space and seeking potential mergers and acquisitions and joint venture opportunities.
- 10.3. The Board is of the view that the Debt Restructuring Plan is in the best interests of the Company and its Shareholders.

11. SHAREHOLDERS' APPROVAL

The Company will be seeking the approval of the Shareholders for the Proposed Disposal, the Proposed Share Issuance to PRL Key Management, the Proposed Warrant Issuance to PRL Key Management and the transactions contemplated by the Debt Restructuring Plan in accordance with the requirements of the SGX-ST Listing Manual and applicable law, at an extraordinary general meeting to be convened, details of which will be announced in due course.

12. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

- 12.1. The attention of Shareholders, creditors and other stakeholders of the Company are drawn to the interests of the PRL Key Management in the SPC (as disclosed herein) and the transactions described herein. The PRL Key Management members comprise:
 - (a) Mr. Pang Yoke Min (Executive Chairman, Director)
 - (b) Mr. Pang Wei Meng (Executive Director, Acting Chief Commercial Officer)
 - (c) Mr. Pang Wei Kuan James (Acting Chief Executive Officer)

- 12.2. Mr. Pang Wei Meng and Mr. Pang Wei Kuan James are immediate family members of Mr. Pang Yoke Min, a controlling Shareholder of the Company.
- 12.3. Save as disclosed in this announcement, none of the Directors or (to the best of the knowledge of the Directors) the controlling Shareholders of the Company or their respective associates has any interest, direct or indirect, in the Debt Restructuring Plan (other than in their capacity as Directors or Shareholders of the Company).

13. CAUTIONARY STATEMENTS

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

Shareholders should note that the Debt Restructuring Plan is subject to, amongst others, ENAV's ongoing due diligence and the negotiation and execution of definitive agreements, at its sole discretion. There is no certainty or assurance that the definitive agreements will be entered into, that the conditions precedent can be fulfilled, that the terms and conditions of the Proposed Disposal will not differ from those set out in the Tripartite Terms, that the Proposed Schemes of Arrangement will be successfully implemented or that the Debt Restructuring Plan will be implemented at all.

The Company will make further announcements, in compliance with the requirements of the SGX-ST Listing Manual, when there are material developments in respect of the Debt Restructuring Plan. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their financial, tax, legal or other professional advisers.

By Order of the Board of
Pacific Radiance Ltd.

Pang Yoke Min
Executive Chairman

30 June 2021