**PACIFIC RADIANCE LTD.**
**COMPANY REGISTRATION NO. 200609894C**

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

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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 2021 ("FY2021").

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 2021, 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**

<u>Use of the going concern assumption</u>

As disclosed in Note 2, the Group's current liabilities exceeded its current assets by US$373,547,000 and its total liabilities exceeded its total assets by US$345,068,000 as at 31 December 2021. For the financial year ended 31 December 2021, the Group recorded a net loss of US$44,226,000. Additionally, the Company's current and total liabilities exceeded its current and total assets by US$256,393,000 as at 31 December 2021.

As further disclosed in Notes 2, 11 and 25 to the financial statements, the Group has assets with a carrying value of US$173,555,000 as at 31 December 2021 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. In 2018, a vendor 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 granted the Company and certain entities of the Group moratoria which have been extended to 30 June 2022.

As disclosed more fully in Notes 2 and 9, the Group has been in discussion with the major secured creditors of the Group ("Secured Lenders") and a financier, ENAV Offshore Mexico S De RL de CV ("ENAV") on the restructuring of the financial indebtedness of the Group ("Debt Restructuring Plan"). The Debt Restructuring Plan includes the consensual directed transfer of 33 secured vessels and the accompanying income and revenue streams ("Sale Vessels"), to ENAV Radiance Pte. Ltd. ("Purchaser") in consideration for consensual discharge of approximately US$200 million of secured loan liabilities including amongst others, the release and/or discharge of mortgages, assignments of charter and charter earnings ("Proposed Disposal"). After the completion of the Proposed Disposal, the Group will manage the majority of the Sale Vessels under the ship management agreements with the Purchaser. The ship management agreements were entered into on 26 January 2022 and the Proposed Disposal had been completed on 1 March 2022.

Subsequent to the completion of the Proposed Disposal, the Group would progress to restructure the remaining debt obligations of the Group via the Proposed Schemes of Arrangement and the consensual restructuring of loan associated with the office and shipyard complex. The Proposed Schemes of Arrangement are subject to approval by the creditors and sanction from the High Court. The Debt Restructuring Plan also entails share issuance, share consolidation, warrant issuance and the consensus restructuring of the notes payable and various cross-currency swap facilities which had been agreed and would be effected after the relevant approvals pertaining to the Proposed Schemes of Arrangement have been secured.

Consequently, the appropriateness of the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and the Company is subject to material uncertainties.

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 Debt Restructuring Plan 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.

Carrying amount of assets held for sale and associated impairment charge for property, plant and equipment

As disclosed in Notes 3 and 9, the Consensual Sale Agreement involves a total of 33 vessels, of which 28 Sale Vessels are owned by the Group's subsidiaries and 5 Sale Vessels are owned by the joint venture and associate companies, resulting in a total consensual discharge of approximately US$200 million of loans and borrowings owed by the Group's subsidiaries.

Prior to the Group classifying the 28 vessels owned by the Group's subsidiaries as non-current assets held for sale as at 31 December 2021, the Group performed an impairment assessment of the disposal group which comprises the 33 vessels. The recoverable amount, which is to be based on the fair value less cost of disposal, was measured on the basis of the consensual discharge of approximately US$200 million. Based on this determination, the Group recognised impairment losses of US$14,080,000 for the year based on the relative carrying values of the vessels and carried the 28 vessels at US$139,122,000 as at 31 December 2021.

Additionally, as disclosed in Note 2.1, the Consensual Sale Agreement is integral to and part of the Debt Restructuring Plan and includes other components in the Debt Restructuring Plan. Management has determined that the fair value of the vessels was based on the US$200 million consensual discharge amount notwithstanding that there are other components in the Debt Restructuring Plan.

Accordingly, we were not able to determine whether management's assessment of the fair value less cost of disposal of the vessels as at 31 December 2021 is in accordance with SFRS(I) 13 Fair Value Measurement. Consequently, we are also unable to determine whether any adjustment is required to the impairment loss recognised for the year ended 31 December 2021.

<u>Carrying amount of bank loans, associated accrued interest payables ("bank loan liabilities") and finance costs</u>

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 its own 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 2021.

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 2021. 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 2021.

**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 Singapore Companies Act 1967 (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 matters 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 matters 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 Alvin Phua."

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://pacificradiance.listedcompany.com/ar.html and on the SGX website at the URL https://www.sgx.com/securities/annual-reports-related-document from 13 April 2022.

**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 discussions or prospects will be successfully concluded or any definitive agreements in relation to any transactions will be entered into. Shareholders and Noteholders should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.**

By Order of the Board of
Pacific Radiance Ltd.

Pang Yoke Min
Executive Chairman

13 April 2022