

Radiant Gems International PLC

Head Office and Factory : Dehigahapitiya, Getahetta, Sri Lanka.

Telephones: General - 0094 (0)36-2230616 Direct : 0094 (0)36-4925222 Fax: 0094 (0)36-2230990

Emails: radiantgem@sltnet.lk radifac@sltnet.lk

Company Registration No. PQ 197

Nilupa Perera (Ms.)

Senior Vice President -Trading Operations, Market Surveillance & Corporate Affairs

Colombo Stock Exchange

04-01, West Block,

World Trade Center,

Echelon Square,

Colombo 01.

04th March 2022,

Dear Madam,

Market announcement on Qualified Opinion and Emphasis of Matter on going concern in the Audited Financial Statements of the Annual Report for the year ended 31st March 2021-Radiant Gems International PLC

As per the Listing Rule 7.5 (d) ii A4, we hereby announce that the Securities of the Company transferred to the Watch List by the Exchange with effect from 04th March 2022.

Further we wish to bring to your attention the reasons for such Qualified Audit Report and the remedial actions taken by the Company to resolve the matters giving rise to the qualified Opinion and Emphasis of matter on going concern.

1) Investment in Gems and Inventories

As specified under the basis for qualified opinion of the auditor's report, physical counting of investment in Gems Stock of Rs 7,547,777/- and Inventories of Rs 4,275,930/- were not observed by the external auditors as they were appointed at the AGM held on 15th September 2021, based on the recommendation from the audit committee and considering the correspondence from regulatory authorities on previous

auditor's failure on planning and performing the audit, the board recommended to the shareholders to appoint new external auditors. However, due to the COVID 19 restrictions on physical AGM, the Company had to obtain legal advice on virtual meeting and it was arranged on 15th September 2021 where the new auditors were appointed. Further, as the new auditors were not appointed as at 31st March 2021, they were unable to observe the physical verification of the investment in Gems and inventories, which was completely out of the board's control. However, the board assures that the above investment in gems stock and Inventories are available for auditor's observation for verification subsequently and there are no movements of those stocks during the period.

Further on the above, the cost of these stocks were not available as these stocks were continuously valued and recorded on the revaluation basis throughout the past several years, and the company may provide the cost estimation for above inventories in most realistic manner, and could estimate NRV accordingly to resolve the issue.

2) Long Term Loan-Bank of Ceylon (FCBU) Rs 38,923,965/-

The Company has sent the letter asking the balance confirmation regarding the above loan. However, direct independent confirmation has not been received to the Auditors, which is out of the control of the Company. However, the Company has not limited the scope of the auditors for confirmation of the above loan balance.

3) Material Uncertainty relating to Going Concern

As stated in the audit report, the material uncertainty has arisen due to net loss of Rs 11,567,676/- reported as at 31st March 2021 which in turn caused negative net assets of Rs 4,601,265/- and negative net current asset of Rs 17,178,053/-. And reduction in revenue by 10.6% during the period.

During the financial year ended 31st March 2021, the Company suffered significantly from Global pandemic situation of COVID 19, as the Company is fully export oriented. our foreign clients also suffered from the global pandemic, it was adversely impacted the

revenue of the company. Further, the Company cost was increased due to domestic inflation.

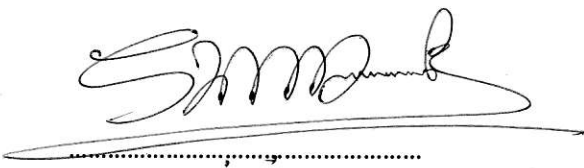
However, we wish to bring to your attentions the following remedial actions taken by the Company to improve the Financial position, revenue, net asset and net current asset of the Company.

- To increase the orders we receive by negotiating with our current clients, in the next few months by 5% to 10%
 - Finding new clients to get more orders, by the end of September 2022, expecting at least two new clients
 - Increasing the Production capacity to meet the new orders by recruiting new qualified production staff, by end of June 2022
 - Increasing the production efficiency to increase the production, by finding out the staff idling, bottle necks, and areas where need more training is needed to increase the efficiency by the end of July 2022
 - Immediately introducing cost controls and cost cutting to minimize the production cost
- 4) Further, we hereby announce that, in the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the Market via the Exchange within one (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
- 5) Further we announce that, in the event the matters giving rise to the qualified audit opinion and emphasis of matter on going concern are not resolved within a period of fifteen (15) months from the date of transferring the Securities of the Company to the Watch List, the trading of Securities of the Company shall be suspended. In the event the trading suspension continues for a period in excess of twelve (12) months, the securities of the Company shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules

- 6) In the event the matters giving rise to the qualified audit opinion and the emphasis of matter on going concern are resolved and such fact is independently verified by an auditor during the period the Securities of the entity are on the Watch List, It shall be announced to the market via the CSE

Thanking you

Yours faithfully,

A handwritten signature in black ink, appearing to read 'S.H. Munasinghe', with a long horizontal flourish extending to the right.

S.H.Munasinghe

Chairman / Managing Director