

PACIFIC STAR DEVELOPMENT LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198203779D)

RESPONSE TO SGX QUERIES

The Board of Directors (the “**Board**”) of Pacific Star Development Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to its announcement titled “Disclaimer of Opinion by the Independent Auditors on the Audited Financial Statements for the Financial Year Ended 30 June 2021” (the “**Disclaimer of Opinion Announcement**”) and its annual report (the “**FY2021 Annual Report**”) for the financial year ended 30 June 2021 (“**FY2021**”), both dated 16 December 2021 and which were released by the Company on 17 December 2021. The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) has made queries to the Company on 17 December 2021 in respect of the Disclaimer of Opinion Announcement and the FY2021 Annual Report. The Board wishes to provide the Company’s responses to the queries raised as follows:

Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed in the Disclaimer of Opinion Announcement and the FY2021 Annual Report.

SGX-ST Queries:

1. In relation to the disclaimer of opinion issued by the Company’s auditors:

- (a) **Despite the Company obtaining additional financing and extension of maturity date for loans, the Board opined that “there are uncertainties as to whether the Group and the Company are able to meet their contractual obligations in the next 12 months as and when they fall due, and consequently, there are uncertainties as to their respective abilities to continue as going concerns for the next 12 months”. Please elaborate on the Board’s considerations in arriving at such opinion;**

Company’s Response:

The additional financing, which was announced by the Company on 14 October 2021, pertains to a loan facility of up to S\$30 million (the “**Additional Financing**”) granted to Pearl Discovery Development Sdn. Bhd. (“**PDD**”). PDD in turn is a principal subsidiary of the Group and is the property development company of Puteri Cove Residences and Quayside (“**PCR**”), a mixed-use property development comprising condominium units, serviced suites, SOHO and a lifestyle retail centre, located in Iskandar Puteri, Malaysia. PCR is the key asset of PDD and thereby the Group.

As stated under paragraph 3 of the Company’s announcement titled “S\$30 million Loan Facility Agreement” dated 14 October 2021 (“**Additional Financing Announcement**”), the “*rationale for obtaining the Loan [being the Additional Financing] is to provide for near term funding to the Borrower [being PDD]*” (underlined words are for emphasis). In general, the phrase “near term” refers to a period of less than six months, while the phrase “short-term” refers to a period of more than six months but less than a year. Along the same lines, the phrase “long-term” usually refers to a period of more than one year. Hence, it has been set out that the Additional Financing is intended to address PDD’s near term cash flow challenges as listed under the paragraph 3 of the Additional Financing Announcement.

Hence, notwithstanding the Additional Financing and the extension of maturity date for the S\$72 million loan facility (“**Extension of Maturity Date**”) provided by the same group of lenders who provided the Additional Financing, these do not address the entirety of the expenses and payables relating to PDD. PDD still needs to sell a significant number of units in PCR (whether by way of bulk sales and/or en-bloc sales) to generate the cash flow to enable it to carry on as

a going concern. This was the reason why the Company has stated under the “going concern assumption” in Note 2.1 to its audited financial statements for FY2021 that:

- *“The ability of the Company to operate as a going concern is dependent on: (i) The sale of the Group’s unsold units at Puteri Cove Residences and Quayside located at Iskandar Puteri, Malaysia (“PCR”) and the timely repatriation of such profits and the going concern of the Group”;*
- *“In the assessment of Group’s going concern, the Board has considered the following factors:*
... (iii) subsequent to 30 June 2021, as disclosed in Note 34(g): (a) the Group has obtained from the group of lenders that provided the Loan Facility (the “Lenders”) additional financing (the “Additional Financing”) for Pearl Discovery Development Sdn. Bhd. (“PDD”), a wholly-owned subsidiary of the Group, which will enable the Group to meet its short-term obligations; ...
(iv) the Group’s cash flow projection for the next twelve (12) months.” (underlined words are for emphasis).”

Further, as disclosed in the Chairman’s Statement on Page 2 of the FY2021 Annual Report:

- *“Despite the positive developments in terms of the Additional Funding, the Additional Loan, completion of restructuring of the Loan (and the Additional Funding) as well as Facility A, which provided much needed short-term relief to the Group, these are temporary measures in extending the Group’s runway to monetise its unsold PCR units in an orderly manner.” (underlined words are for emphasis).*

In short, the Additional Financing and the Extension of Maturity Date do not solve all the challenges faced by the Group. When the Board expressed its opinion on the Group’s and Company’s going concern, it has taken into account the Additional Financing which addresses the PDD’s near term cash flow needs, as well as the Group’s and the Company’s cash flow requirements for the next 12 months from the date of the audited financial statements (being 16 December 2021). The abilities of the Group and the Company to meet their contractual obligations in the next 12 months will depend on their ability to generate cash flow and sales as aforementioned. Therefore, these formed the bases for the Board’s opinion in relation to the statement *“there are uncertainties as to whether the Group and the Company are able to meet their contractual obligations in the next 12 months as and when they fall due, and consequently, there are uncertainties as to their respective abilities to continue as going concerns for the next 12 months”*.

- (b) In view of Board’s considerations in 1a. above, please explain why the Board assessed that it is suitable for the financial statements to be prepared on a going concern basis. Please provide bases to support such assessment;**

Company’s Response:

The Company’s auditors have previously expressed disclaimers of opinion due to the going concern assumption used in the preparation of the financial statements for the previous financial years ended 30 June 2019 (“FY2019”) and 30 June 2020 (“FY2020”). Under the “going concern assumption” in Note 2.1 to the audited financial statements of FY2019 and FY2020, it was stated that *“Presently due to the uncertainties involved, management is unable to quantify the Adjustments (if any required). Hence, no adjustments have been made to the balances presently in the balance sheets of the Group and Company to account for the Adjustments.”* On hindsight, given the uncertainties faced by the Group and the Company at the time of issuance of the FY2019 and FY2020 financial statements, and given the fact that the Company and Group have continued to subsist for over two years since October 2019 when the financial statements for FY2019 were issued, the preparation of the financial statements for FY2019 and FY2020 on a going concern basis were reasonable.

In the assessment of the Group's and the Company going concern assumptions for the FY2021 financial statements, the "uncertainties" involved were similarly to those contemplated in FY2019 and FY2020. This has likewise been disclosed in Note 2.1 of the FY2021 audited financial statements as set out here: *"Presently, due to the uncertainties involved, management is unable to quantify the Adjustments (if any are required). Hence, no adjustments have been made to the balances presently in the balance sheets of the Group and Company to account for the Adjustments."*

Moving forward, the Company and Group are continuing to work towards the orderly monetisation of our asset (namely, PCR) to striving for survival, much in the same vein as what followed our FY2019 and FY2020 financial statements. Therefore, the financial statements for FY2021 have been prepared on a going concern basis.

- (c) **As announced by the Company on 25 Mar 2021 and 18 Nov 2021, the Company is required to submit its trading resumption proposal by the further extended deadline of 24 Dec 2021. Please provide an update on the status of the Company's resumption proposal. Such status update must take into account, amongst others, the Board's considerations in 1a. above.**

Company's Response

The management team of the Company (the "**Management**") is in the process of preparing the trading resumption proposal (as well as the arrangements in relation thereto). This has been in view of Management's heavy involvement in the Additional Financing transaction from June to November 2021 pertaining to the transaction documentation, satisfaction of conditions precedent and drawdown of financing, followed by the work done to finalise the Group's audited financial statements and the FY2021 Annual Report dated 16 December 2021, which were released on 17 December 2021. The Board and the Sponsor are in discussion on whether a further extension would be required, and a subsequent announcement on the matter will be furnished.

ON BEHALF OF THE BOARD

Ying Wei Hsein
Executive Chairman
21 December 2021

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr David Yeong, SAC Capital Private Limited, at 1 Robinson Road #21-00 AIA Tower, Singapore 048542. Telephone number: +65 6232 3210.