

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 the announcement released by the Company on 3 February 2020 titled “Posh Twelve Construction – Stoppage of Work” (the “**Announcement**”). The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) has made queries in respect of the Announcement and 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 meaning ascribed in the Announcement.

SGX-ST Queries:

The Company’s key businesses comprise of, (i) the Puteri Cove Residences project, located in Puteri Harbour, Iskandar Puteri, Malaysia, and (ii) The Posh Twelve, a joint venture project located at Tiwanon Road in Bangkok, Thailand.

References are made to the Company’s announcement on 3 February 2020 on the stoppage of work of construction of Posh Twelve, and the Company’s FY2019 annual report announced on 15 October 2019.

- In the FY2019 annual report, it is mentioned that construction of The Posh Twelve is in progress and the completion and handover of The Posh Twelve units may take place in the latter part of 2020.
- In the Company’s announcement on 3 February 2020, the Company announced that on 31 January 2020, KNK had received a written notice of stoppage of work from China Railway Construction (Southeast Asia) Co., Ltd (“**CRCC**”), and CRCC is the main contractor of the Posh Twelve construction work.

Accordingly, please provide the Company’s response to the queries below.

- (1) **“The stoppage of work has arisen due to disputes between CRCC and KNK in respect of payments and construction progress.” – Please elaborate on the disputes in respect of payments and construction progress.**

Company’s Response:

The payment disputes have arisen due to delay in payment from KNK to CRCC. CRCC has stopped work on the basis that it has not received payment for its invoices. The construction progress disputes pertain to delays in the construction timelines from earlier phases of the project construction in spite of timely payments made at the time. Discussions will be held with CRCC and for commercial reasons, the disputes will not be described in excessive detail publicly at this point in time as this may impact on KNK’s position and ability to negotiate in these discussions. The Company will make further announcement(s) as and when there are any material developments in the matter.

- (2) **In respect of the Disclaimer of Opinion received for its FY2019 AR, it was disclosed on 14 Oct 2019 that “The ability of the Group to continue as a going concern depends on materialisation of the continued financial support from PSDH, the sale of the Group’s unsold units at PCR, and the refinancing of the Group’s investment via its joint venture in the Posh Twelve project in Bangkok (“P12”) to enable the Group to continue as a**

going concern.” and “The Group is currently working to secure a re-financing package for P12, subject to amongst others, the consent of the lenders of a \$70.0 million facility as well as conditions precedent, which if materializes, may allow the Group to receive approximately \$18.70 million (based on current approximate projections) in capital and loans repatriation from the abovementioned re-financing;” – Please provide updates as to the refinancing of the Group’s investment via its joint venture in the Posh Twelve project.

Company’s Response:

Discussions are ongoing in respect of the re-financing transaction. The parties are currently working on the transaction documentation.

- (3) **How does the receipt of the written notice of stoppage of work from CRCC affect the progress and completion timeline of The Posh Twelve project? How material is the delay in the progress of the project to the Group as a whole?**

Company’s Response:

The stoppage of work would result in a delay to the timeline for completion of The Posh Twelve. Previously, in the Company’s FY2019 annual report, it was mentioned that completion and handover may take place in the latter part of 2020. In view of the stoppage of work, the Group is currently envisaging completion of Posh Twelve to be more likely to be in December 2020. The impact and materiality of the delay will depend on the length of stoppage of work. Currently, a foreseeable impact would be a corresponding postponement of the timeline to recognise revenue from the sale of Posh Twelve units. This is because revenue in respect of Posh Twelve sales is recognised upon completion and handover of the project to the buyers.

- (4) **What is the Board of Directors’ assessment of the Group’s ability to continue operating as a going concern given the above developments? Please provide the bases for the said assessment.**

Company’s Response:

The Board of Directors is of the view that the Group is able to continue operating as a going concern. This is because in respect of the current financing arrangements of the Posh Twelve project, there are no cross-guarantees provided by the Company or other subsidiaries of the Group which are not involved in the Posh Twelve project. The bases for the Board’s opinion in respect of the going concern assumption were previously announced on 14 October 2019 and also included in the Company’s Annual Report for FY2019. As there are no changes to these bases arising from this stoppage of work at this point in time, the Board of Directors is of the view that the Group is able to continue operating as a going concern.

- (5) **Please provide the Board of Directors’ opinion as to whether trading of the Company’s shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion.**

Company’s Response:

Under Listing Rule 1303(3), the Exchange may any time suspend trading when the issuer is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so, including the following circumstances:

- (a) when an application is filed with a court to place the issuer (or significant subsidiary) under judicial management;
- (b) when an application is filed with a court for the liquidation of the issuer (or significant subsidiary) and the amount of the debt alleged is significant; or
- (c) when the issuer is unable to reasonably assess its financial position and inform the market accordingly.

As explained in the Company’s response to Exchange’s Query 4, the Board of Directors have provided its bases that the Group is able to continue operating as a going concern. In addition, the Board of Directors are also of the view that the Group does not fall into any of the abovementioned circumstances set out in Rule 1303(3) of the Catalist Rules. As such, the

Board of Directors is of the opinion that trading of the Company's shares should not be suspended.

- (6) **Please provide the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.**

Company's Response:

The Board of Directors confirms, to its best knowledge and belief, that sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner, on the bases of the explanations set out above.

ON BEHALF OF THE BOARD

Ying Wei Hsein
Executive Chairman
5 February 2020

This announcement has 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.