

PACIFIC STAR DEVELOPMENT LIMITED

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Business Reg. No: 198203779D

Second Quarter and First Half Unaudited Financial Statements and Dividend Announcement for the 3-Month Period (“2Q2019”) and 6-Month Period (“1H2019”) Ended 31 December 2018

Change of financial year end

On 9 November 2017, Pacific Star Development Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) announced the change of its financial year end from 31 December to 30 June. For the purposes of this results announcement:

- The financial period from 1 January 2017 to 30 June 2018 shall be referred to as “**FY2018**”;
- The current financial year, being the period from 1 July 2018 to 30 June 2019, shall be referred to as “**FY2019**”;
- The financial quarter from 1 October 2018 to 31 December 2018 shall be referred to as “**2Q2019**” and 6 month period from 1 July 2018 to 31 December 2018 shall be referred to as “**1H2019**”; and
- For avoidance of doubt, for purposes of comparison against the results of the corresponding quarter of the immediately preceding financial year, the financial quarter from 1 October 2017 to 31 December 2017 will be referred to as “**2Q2018**” and the 6 month period from 1 July 2017 to 31 December 2017 will be referred to as “**1H2018**”.

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY, HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income statement, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Consolidated Statement of Comprehensive Income
For the financial quarter ended 31 December 2018**

	The Group					
	2 nd Quarter ended 31 Dec			6 months ended 31 Dec		
	2018	2017	Changes	2018	2017	Changes
	(2Q2019)	(2Q2018)		(1H2019)	(1H2018)	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Revenue	7,279	30,733	(76.3)	9,450	50,998	(81.5)
Cost of sales	(4,454)	(16,036)	(72.2)	(5,859)	(26,259)	(77.7)
Gross profit	2,825	14,697	(80.8)	3,591	24,739	(85.5)
Other operating income	401	247	62.3	536	492	8.9
Expenses:						
Marketing and Distribution	(410)	(1,378)	(70.2)	(787)	(1,558)	(49.5)
Operating and Administrative	(2,588)	(1,311)	97.4	(2,593)	(2,750)	(5.7)
Other operating	(524)	(179)	192.7	(970)	(406)	138.9
Finance	(1,033)	(337)	206.5	(2,219)	(938)	136.6
	<u>(4,555)</u>	<u>(3,205)</u>	42.1	<u>(6,569)</u>	<u>(5,652)</u>	16.2
	<u>(1,329)</u>	<u>11,739</u>	N.M	<u>(2,442)</u>	<u>19,579</u>	N.M
Share of results of joint ventures	(1,063)	(371)	186.5	(1,087)	(630)	72.5
Share of results of associates	835	(98)	N.M	781	(180)	N.M
(Loss)/Profit before tax ^{Note 1}	<u>(1,557)</u>	<u>11,270</u>	N.M	<u>(2,748)</u>	<u>18,769</u>	N.M
Income tax credit/(expense)	4	(2,849)	N.M	(47)	(4,987)	(99.1)
Net (loss)/profit for the financial period	<u>(1,553)</u>	<u>8,421</u>	N.M	<u>(2,795)</u>	<u>13,782</u>	N.M
Other comprehensive income, net of tax:						
Items that may be reclassified subsequently to profit or loss						
- Currency translation differences arising from consolidation	(121)	995	N.M	(1,185)	1,126	N.M
Total comprehensive income for the financial period	<u>(1,674)</u>	<u>9,416</u>	N.M	<u>(3,980)</u>	<u>14,908</u>	N.M
Net (loss)/profit attributable to:						
Equity holders of the Company	(2,047)	3,877	N.M	(2,592)	6,035	N.M
Non-Controlling interest	494	4,544	(89.1)	(203)	7,747	N.M
	<u>(1,553)</u>	<u>8,421</u>	N.M	<u>(2,795)</u>	<u>13,782</u>	N.M
Total comprehensive income attributable to:						
Equity holders of the Company	(2,107)	4,365	N.M	(3,577)	6,589	N.M
Non-Controlling interest	433	5,051	(91.4)	(403)	8,319	N.M
	<u>(1,674)</u>	<u>9,416</u>	N.M	<u>(3,980)</u>	<u>14,908</u>	N.M

N.M: Not meaningful

1(a)(i) Other disclosures to Group Income Statement

	The Group			
	2 nd Quarter ended 31 Dec		6 months ended 31 Dec	
	2018 (2Q2019) S\$'000	2017 (2Q2018) S\$'000	2018 (1H2019) S\$'000	2017 (1H2018) S\$'000
(Loss)/Profit before income tax has been arrived at after charging/(crediting):				
Depreciation of property, plant and equipment	31	96	80	183
Reversal of provision for bonuses	-	-	(1,649)	-
Provision for doubtful debts	293	-	293	-
Foreign exchange loss/(gain) (net)	164	(178)	404	(220)
Amortisation of deferred costs	-	993	-	1,375
Interest expenses	1,033	337	2,219	938
Interest income	(39)	(30)	(55)	(164)

Note 1

(Loss)/Profit before income tax has been arrived at after charging/(crediting):

Depreciation of property, plant and equipment	31	96	80	183
Reversal of provision for bonuses	-	-	(1,649)	-
Provision for doubtful debts	293	-	293	-
Foreign exchange loss/(gain) (net)	164	(178)	404	(220)
Amortisation of deferred costs	-	993	-	1,375
Interest expenses	1,033	337	2,219	938
Interest income	(39)	(30)	(55)	(164)

1 (b) (i) A statement of financial position (for the issuer and the group), together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheet As at 31 December 2018	<u>The Group</u>		<u>The Company</u>	
	As at 31 Dec 2018	As at 30 Jun 2018	As at 31 Dec 2018	As at 30 Jun 2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash at bank	8,985	2,015	26	119
Financial assets at fair value through profit or loss	4	4	-	-
Trade receivables	22,336	38,194	1,924	2,050
Other receivables and other current assets	19,395	13,862	169	194
Contract assets	764	-	-	-
Inventories	545	574	-	-
Fixed deposits pledged	404	501	405	501
Development property	144,322	143,946	-	-
	<u>196,755</u>	<u>199,096</u>	<u>2,524</u>	<u>2,864</u>
Non-current assets				
Investment in subsidiaries	-	-	169,697	169,647
Trade receivables	59	59	-	-
Property, plant and equipment	74	129	-	12
	<u>133</u>	<u>188</u>	<u>169,697</u>	<u>169,659</u>
Total assets	<u>196,888</u>	<u>199,284</u>	<u>172,221</u>	<u>172,523</u>
LIABILITIES				
Current liabilities				
Trade payables	15,734	22,212	-	-
Other payables	28,834	26,319	13,539	12,955
Loans and borrowings	21,340	25,592	-	-
Current tax liabilities	11,269	13,370	-	-
Contract liabilities	-	11,724	-	-
Joint venture	4,634	3,547	-	-
Associate	351	1,132	-	-
	<u>82,162</u>	<u>103,896</u>	<u>13,539</u>	<u>12,955</u>
Non-current liabilities				
Loans and borrowings	76,778	26,938	-	-
Loans from non-controlling interests	-	15,205	-	-
Provision for warranty	812	1,129	-	-
	<u>77,590</u>	<u>43,272</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>159,752</u>	<u>147,168</u>	<u>13,539</u>	<u>12,955</u>
NET ASSETS	<u>37,136</u>	<u>52,116</u>	<u>158,682</u>	<u>159,568</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	47,801	47,801	197,055	197,055
Treasury shares	-	-	(513)	(513)
Retained earnings/(accumulated losses)	3,197	5,789	(36,432)	(35,546)
Other reserves	(13,862)	(30,879)	(1,428)	(1,428)
Equity attributable to owners of the Company	<u>37,136</u>	<u>22,711</u>	<u>158,682</u>	<u>159,568</u>
Non-controlling interest	-	29,405	-	-
Total equity	<u>37,136</u>	<u>52,116</u>	<u>158,682</u>	<u>159,568</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31 Dec 2018 S\$'000		As at 30 Jun 2018 S\$'000	
Secured	Unsecured	Secured	Unsecured
21,340	-	25,592	-

Amount repayable after one year

As at 31 Dec 2018 S\$'000		As at 30 Jun 2018 S\$'000	
Secured	Unsecured	Secured	Unsecured
76,778	-	26,938	15,205

Details of any collateral

The borrowings are secured by way of the following:

- (i) fixed deposits pledged of S\$404,000 (30 Jun 2018: S\$501,000);
- (ii) legal mortgage on the Group's development property;
- (iii) assignment of all rights and benefits to sale, lease and/or insurance proceeds in respect of the Group's development property;
- (iv) corporate guarantees from a subsidiary and a non-controlling interest; and
- (v) assignment of existing intra-company loans owed, development management agreements, debentures and share charge over Group's development property in Malaysia arising from the loan facility of S\$70.0 million.

1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Cash Flow Statement
For the financial quarter ended 31 December 2018

	The Group			
	2 nd Quarter		6 months	
	Ended 31 Dec		Ended 31 Dec	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Flow from Operating Activities				
(Loss)/Profit before income tax	(1,557)	11,270	(2,748)	18,769
Adjustments for:				
Amortisation of deferred cost	-	993	-	1,375
Depreciation of property, plant and equipment	31	96	80	183
Interest expense	1,033	337	2,219	938
Interest income	(39)	(30)	(55)	(164)
Share of result of joint ventures	1,063	371	1,087	630
Share of result of associates	(835)	98	(781)	180
Provision for doubtful debts	293	-	293	-
Reversal of provision for bonuses	-	-	(1,649)	-
Unrealised foreign exchange loss/(gain)	18	(148)	245	(190)
Operating cash flow generated/(used in) before working capital changes	7	12,987	(1,309)	21,721
Movement in working capital:				
Changes in development property	4,531	(1,497)	(1,072)	(10,507)
Changes in inventories and construction contracts	335	(131)	(94)	(310)
Changes in deferred costs	-	(582)	-	(2,225)
Changes in advance billings	(8,778)	8,051	(12,468)	10,365
Changes in trade, other receivables and other current assets	1,313	(8,696)	10,362	(16,163)
Changes in trade, other payables and provision for warranty	(8,774)	(12,095)	(3,321)	(6,367)
Cash flows used in operations	(11,366)	(1,963)	(7,902)	(3,486)
Interest received	39	30	55	164
Interest paid	(1,031)	(616)	(2,217)	(1,854)
Income tax paid	(1,840)	(2,216)	(1,854)	(3,109)
Net cash used in operating activities	(14,198)	(4,765)	(11,918)	(8,285)
Cash Flows from Investing Activities				
Additions to property, plant and equipment	(22)	(43)	(22)	(67)
Proceeds from disposal of plant and equipment	-	-	-	2
Purchase of additional shares	(11,000)	-	(11,000)	-
Net cash used in investing activities	(11,022)	(43)	(11,022)	(65)
Cash Flows from Financing Activities				
Net (repayment of)/proceeds from bank borrowings	(2,960)	(1,659)	(4,713)	552
Proceeds from borrowings from lenders	50,690	-	50,690	-
Repayment of non-controlling interest loan	(15,000)	-	(15,000)	-
Repayment of finance lease liabilities	(14)	(14)	(29)	(29)
Movement in fixed deposits pledged with banks	-	(1)	97	275
Net cash generated/(used in) from financing activities	32,716	(1,674)	31,045	798
Net increase/(decrease) in cash and cash equivalents	7,496	(6,482)	8,105	(7,552)
Effect of currency translation on cash and cash equivalents	(17)	183	(103)	51
Cash and cash equivalents at beginning of financial period	693	7,586	170	8,788
Cash and cash equivalents at end of financial period	8,172	1,287	8,172	1,287
Cash and cash equivalents comprises:				
Cash and bank balances	8,985	3,390	8,985	3,390
Less: Bank overdraft	(813)	(2,103)	(813)	(2,103)
Cash and cash equivalents	8,172	1,287	8,172	1,287

1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity
For the financial quarter ended 31 December 2018

Attributable to equity holders of the Company

	Share capital S\$'000	Retained earnings S\$'000	Other reserves S\$'000	Foreign currency translation reserve S\$'000	Total S\$'000	Non-controlling interest S\$'000	Total equity S\$'000
The Group							
Balance at 1 July 2018	47,801	5,789	(30,971)	92	22,711	29,405	52,116
Net loss for the financial period	-	(545)	-	-	(545)	(697)	(1,242)
Other comprehensive income for the financial period, net of tax:							
Currency translation differences arising from consolidation	-	-	-	(925)	(925)	(139)	(1,064)
Total comprehensive income for the financial period	-	(545)	-	(925)	(1,470)	(836)	(2,306)
Balance at 30 September 2018	47,801	5,244	(30,971)	(833)	21,241	28,569	49,810
Net loss for the financial period	-	(2,047)	-	-	(2,047)	494	(1,553)
Other comprehensive income for the financial period, net of tax:							
Currency translation differences arising from consolidation	-	-	-	(60)	(60)	(61)	(121)
Total comprehensive income for the financial period	-	(2,047)	-	(60)	(2,107)	433	(1,674)
Acquisition on investment in subsidiary from non-controlling interest	-	-	18,002	-	18,002	(29,002)	(11,000)
Total transactions with owners of the Company	-	-	18,002	-	18,002	(29,002)	(11,000)
Balance at 31 December 2018	47,801	3,197	(12,969)	(893)	37,136	-	37,136
Balance at 1 July 2017 (As restated¹)	47,801	585	(30,971)	(470)	16,945	15,178	32,123
Net profit for the financial period	-	2,158	-	-	2,158	3,203	5,361
Other comprehensive income for the financial period, net of tax:							
Currency translation differences arising from consolidation	-	-	-	66	66	65	131
Total comprehensive income for the financial period	-	2,158	-	66	2,224	3,268	5,492
Balance at 30 September 2017 (As restated¹)	47,801	2,743	(30,971)	(404)	19,169	18,446	37,615
Net profit for the financial period	-	3,877	-	-	3,877	4,544	8,421
Other comprehensive income for the financial period, net of tax:							
Currency translation differences arising from consolidation	-	-	-	488	488	507	995
Total comprehensive income for the financial period	-	3,877	-	488	4,365	5,051	9,416
Balance at 31 December 2017 (As restated¹)	47,801	6,620	(30,971)	84	23,534	23,497	47,031

	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Share options reserve S\$'000	Other reserves S\$'000	Total S\$'000
<u>The Company</u>						
Balance at 1 July 2018	197,055	(513)	(35,546)	42	(1,470)	159,568
Net loss for the financial period	-	-	(644)	-	-	(644)
Total comprehensive income for the period	-	-	(644)	-	-	(644)
Balance at 30 September 2018	197,055	(513)	(36,190)	42	(1,470)	158,924
Net loss for the financial period	-	-	(242)	-	-	(242)
Total comprehensive income for the period	-	-	(242)	-	-	(242)
Balance as at 31 December 2018	197,055	(513)	(36,432)	42	(1,470)	158,682
Balance at 1 July 2017 (As restated¹)	197,055	(513)	(34,427)	58	(1,470)	160,703
Net profit for the financial period	-	-	1,897	-	-	1,897
Total comprehensive income for the period	-	-	1,897	-	-	1,897
Balance at 30 September 2017 (As restated¹)	197,055	(513)	(32,530)	58	(1,470)	162,600
Net profit for the financial period	-	-	(69)	-	-	(69)
Total comprehensive income for the period	-	-	(69)	-	-	(69)
Reversal of employee share options	-	-	16	(16)	-	-
Balance at 31 December 2017 (As restated¹)	197,055	(513)	(32,583)	42	(1,470)	162,531

Footnote:

¹ The balance of the Statement of Changes in Equity at 1 July 2017 have been restated following adjustments accepted by the Company on the audited financial statements for FY2018 as announced by the Company on 4 October 2018.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

(i) Share capital

	As at 31 Dec 2018		As at 30 Sep 2018	
	Number of ordinary shares	S\$'000	Number of ordinary shares	S\$'000
Issued and fully paid ordinary shares	502,336,278	197,055	502,336,278	197,055

There were no changes in the Company's share capital since the end of the previous period reported on.

(ii) Share options

As at 31 December 2018, the unissued shares of the Company under option are as follows:

Date of grant of options	Exercise price per share	Balance as at 30 Sep 2018 ('000)	Granted/ (Forfeited) during the financial period ('000)	Balance as at 31 Dec 2018 ('000)	Balance as at 31 Dec 2017 ('000)	Exercise period
4 Mar 2014	S\$1.75	72	-	72	74	3 Mar 2015 to 2 Mar 2019

The number of options lapsed for 1H2019 is nil. The exercise price per share and the balance number of unissued shares under option are prior to the share split in connection with the RTO.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Number of shares		
	As at 31 Dec 2018	As at 30 Jun 2018	As at 31 Dec 2017
Total number of issued shares	502,336,278	502,336,278	502,336,278
Treasury shares	2,675,400	2,675,400	2,675,400
Total number of issued shares excluding treasury shares	499,660,878	499,660,878	499,660,878
% of treasury shares over total number of issued shares	0.5%	0.5%	0.5%

1(d)(iv) A statement showing all sales transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company held 2,675,400 treasury shares as at 31 December 2018. There were no sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at as at the end of the current financial period reported on.

Not applicable. The Company does not have any subsidiary holdings.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation applied by the Group in the financial statements for the current reporting period are consistent with those applied in the Company's audited financial statements for the financial year ended 30 June 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The adoption of SFRS(I) does not have any material impact on the financial performance or position of the Group.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

(Loss)/Profit per share for the period (cents)	2Q2019	2Q2018	1H2019	1H2018
(a) Based on weighted average number of ordinary shares in issue	(0.41)	0.78	(0.52)	1.21
(b) On a fully diluted basis*	(0.41)	0.78	(0.52)	1.21

(Loss)/Profit per share for 2Q2019 was computed based on the net (loss)/profit attributable to equity holders of the Company of (S\$2,047,000) (2Q2018: S\$3,877,000) and divided by the weighted average number of shares as shown below.

(Loss)/Profit per share for 1H2019 was computed based on the net (loss)/profit attributable to equity holders of the Company of (S\$2,592,000) (1H2018: S\$6,035,000) and divided by the weighted average number of shares as shown below.

	2Q2019	2Q2018	1H2019	1H2018
Weighted average number of ordinary shares				
(a) Based on weighted average number of ordinary shares in issue excluding treasury shares; and	499,660,878	499,660,878	499,660,878	499,660,878
(b) On fully diluted basis*	499,660,878	499,660,878	499,660,878	499,660,878

*The exercise price of the share options of the Company are above the quoted market price of the Company's shares for both periods and therefore the options are non-dilutive.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	The Group		The Company	
	As at 31 Dec 2018	As at 30 Jun 2018	As at 31 Dec 2018	As at 30 Jun 2018
Net asset value per ordinary share based on existing issued share capital as at the end of the period (cents)	7.4	4.5	31.8	31.9

Net asset value per ordinary share was computed based on the equity attributable to owners of the Company as at 31 December 2018 of \$37,136,000 (30 June 2018: \$22,711,000) divided by the total number of shares excluding treasury shares of 499,660,878 as at 31 December 2018 (30 June 2018: 499,660,878).

- 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Statement of Comprehensive Income

For 3 Months; Second Quarter ended 31 Dec 18 ("2Q2019") vs Second Quarter ended 31 Dec 17 ("2Q2018")

The Group's revenue for 2Q2019 decreased by S\$23.5 million or 76.3% to S\$7.3 million due to decreased sales in the Group's project in Iskandar Puteri, known as Puteri Cove Residences & Quayside in Puteri Harbour (the "**Puteri Cove Project**") during 2Q2019 as a result of the continuing poor market sentiments in the residential market in Iskandar Malaysia. The Group had recognized revenue based on percentage of completion in 5Q2018 and had obtained the Certificate of Completion and Compliance ("**CCC**") for Tower 1, Tower 2, the SoHo and retail center of the Puteri Cove Project during the financial quarter ended 31 Mar 2018, resulting in higher revenue recognized for that period whereas for the period 2Q2019, revenue recognition arose from actual sales of unsold completed inventory.

In line with the decrease in revenue, the Group's cost of sales also decreased by S\$11.6 million or 72.2% to S\$4.5 million in 2Q2019. Gross profit decreased by S\$11.9 million or 80.8% to S\$2.8 million in 2Q2019 due to lower number of units sold in the Puteri Cove Project.

Other operating income increased by S\$0.2 million or 62.3% to S\$0.4 million in 2Q2019 due to higher interest income earned and foreign exchange gain.

Marketing and distribution expenses decreased by S\$1.0 million or 70.2% to S\$0.4 million in 2Q2019 due to lower sales commissions and marketing expenses from lower sales for the Puteri Cove Project.

Operating and administrative expenses increased by S\$1.3 million or 97.4% to S\$2.6 million in 2Q2019 largely due to higher professional costs incurred in relation to the S\$70 million loan facility obtained during 2Q2019 (the "**Loan Facility**", which was announced by the Company on 24 December 2018).

Other operating expenses increased by S\$0.3 million or 192.7% to S\$0.5 million in 2Q2019 mainly due to provision for doubtful debts in the non-property division.

Finance costs increased by S\$0.7 million or 206.5% to S\$1.0 million in 2Q2019 largely due to higher fixed loan interest on bank loans which cannot be capitalised in development property after the completion of projects. Tower One and Tower Two of the Puteri Cove Project obtained their CCC and statutory completion in 2018.

The loss from joint ventures increased by S\$0.7 million or 186.5% to S\$1.1 million in 2Q2019 due to higher operating, marketing and project management expenses incurred in relation to the Group's property development project in Bangkok, Thailand known as "The Posh Twelve".

The gain on share of results of associates increased by S\$0.9 million in 2Q2019 due to better results from the associate.

The Group recorded a net loss after tax of S\$1.6 million in 2Q2019 compared to net profit after tax of S\$8.4 million in 2Q2018. This was mainly due to lower sales and revenue recognized in 2Q2019.

The net loss attributable to equity holders of the Company is S\$2.0 million in 2Q2019 compared to net profit attributable to equity holders of the Company of S\$3.9 million in 2Q2018.

First-Half ended 31 Dec 18 ("1H2019") vs First-Half ended 31 Dec 17 ("1H2018")

The Group's revenue for 1H2019 decreased by S\$41.5 million or 81.5% to S\$9.5 million due to decreased sales in the Group's Puteri Cove Project during 1H2019 arising from continued poor market sentiments in the residential market in Iskandar Malaysia.

In line with the decrease in revenue, the Group's cost of sales also decreased by S\$20.4 million or 77.7% to S\$5.9 million in 1H2019. Gross profit decreased by S\$21.1 million or 85.5% to S\$3.6 million in 1H2019 due to lower selling prices of units in the Puteri Cove Project from various sales programs.

Marketing and distribution expenses decreased by S\$0.8 million or 49.5% to S\$0.8 million in 1H2019 due to lower sales commissions and marketing expenses arising from lower sales for the Puteri Cove Project.

Operating and administrative expenses decreased by S\$0.2 million or 5.7% to S\$2.6 million in 1H2019 despite higher professional costs incurred for the Loan Facility obtained in 2Q2019 which was wholly offset by cost-saving measures taken by the Group.

Other operating expenses increased by S\$0.6 million or 138.9% to S\$1.0 million in 2Q2019 mainly due to provision for doubtful debts provided in non-property division in 1H2019.

Finance costs increased by S\$1.3 million or 136.6% to S\$2.2 million as these finance costs can no longer be capitalized into development property because Tower One and Tower Two of the Puteri Cove Project have achieved CCC and statutory completion in 2018.

The Group recorded a net loss after tax of S\$2.8 million in 1H2019 compared with net profit after tax of S\$13.8 million in 1H2018 mainly due to lower sales and revenue recognized in 1H2019 from the Puteri Cove Project.

The net loss attributable to the equity holders of the Company excluding non-controlling interest is S\$2.6 million compared with net profit attributable of S\$6.0 million in 1H2018.

Review of Statement of Financial Position

The total assets of the Group decreased by S\$2.4 million to S\$196.9 million as at 31 December 2018. The Group's total liabilities increased by S\$12.6 million over the same period. Consequently, the Group's net assets have decreased by S\$15.0 million to S\$37.1 million as at 31 December 2018.

The current assets of the Group decreased by S\$2.3 million to S\$196.8 million as at 31 December 2018 compared to 30 June 2018. This decrease was due largely to (i) a S\$7.0 million increase in the Group's cash as a result of partial drawdown of S\$50.7 million from the S\$70 million Loan Facility, (ii) a S\$15.9 million decrease in trade receivables largely due to collection from customers for property purchases together with contract liabilities, (iii) a S\$5.5 million increase in other receivables mainly due to a debt servicing account created in relation to the Loan Facility and (iv) S\$0.8 million increase in contract assets is due to revenue recognized over time using the input method in excess of amount invoiced as at balance sheet date which is in line with FRS 115.

The non-current liabilities of the Group increased by S\$34.3 million as at 31 December 2018 compared to 30 June 2018. This increase was due largely to (i) a S\$49.8 million increase in non-current loan and borrowings as a result of a partial drawdown of S\$50.7 million from the S\$70 million Loan Facility, and (ii) a S\$15.2 million decrease in loans from non-controlling interests arising as a result of repayment in full of such loans pursuant to the share repurchase agreement entered into with Max Treasure Co., Ltd which was announced on 24 December 2018.

The current liabilities of the Group decreased by S\$21.7 million as at 31 December 2018 compared to 30 June 2018. This decrease was due largely to (i) a S\$11.7 million decrease in contract liabilities which was recognized against trade receivables, (ii) a S\$4.3 million decrease in current loans and borrowings due to repayment of bank loans, (iii) a S\$2.1 million decrease in current tax liabilities due to payment of corporate income tax and (iv) a decrease in trade and other payables of S\$4.0 million.

The net tangible assets attributable to the equity holders of the Company increased by S\$14.4 million from S\$22.7 million to S\$37.1 million as a result of the completion of the share repurchase agreement entered into with Max Treasure Co., Ltd, whereby the Group consequently now owns 100% of Twin Prosperity Group Ltd and therefore 100% of the Puteri Cove Project.

Review of Cash Flow Statement

The Group's net cash used in operating activities in 2Q2019 was S\$14.2 million compared with a net cash used in operating activities of S\$4.8 million in 2Q2018.

Operating cashflow generated before working capital changes were mainly due to the loss before income tax of S\$1.6 million, interest expense of S\$1.0 million, share of results of joint venture of S\$1.1 million, share of results of associates of S\$0.8 million and provision of doubtful debts of S\$0.3 million. These non-cash items negated one another.

Net cash used in operating activities was S\$14.2 million due largely to (i) cash inflows arising from a decrease in development property, inventories and construction contracts of S\$4.9 million, (ii) cash outflows arising from a decrease in advance billings of S\$8.8 million, (iii) cash inflow arising from a decrease of trade, other receivables and other current assets of S\$1.3 million and (iv) cash outflows arising from a decrease of trade, other payable and provision for warranty of S\$8.8 million. In addition, interest and income tax paid accounted for a further outflow of S\$2.9 million.

The Group's net cash used in investing activities in 2Q2019 was S\$11.0 million due to the completion of the share repurchase agreement entered into with Max Treasure Co., Ltd (as stated above).

The Group's net cash generated from financing activities in 2Q2019 was S\$32.7 million largely due to partial drawdown of S\$50.7 million from the S\$70.0 million Loan Facility which was offset by the net repayment of bank borrowings of S\$3.0 million and repayment of non-controlling interest loan of S\$15.0 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed for the current financial quarter discussed in this announcement. There had been a profit guidance announcement made on 6 November 2018 in respect of the Company's financial results for the quarter ended 30 September 2018.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Property Division

The Group is cognizant of the challenging property market conditions in Johor, Malaysia and Bangkok, Thailand given the persistent oversupply conditions in these residential markets amid sluggish buying demand from domestic consumers. Furthermore, recent geopolitical events and macroeconomic uncertainties in Malaysia and Thailand have weakened residential market sentiments and caused both domestic and foreign potential buyers to adopt a "wait-and-see" attitude. Nevertheless, the Group continues to actively promote and sell its property projects to both foreign and local buyers through regular marketing campaigns and events held overseas and locally. The Group aims to complete the fitting-out and interior decoration works in Tower 3 of the Puteri Cove Project for a targeted soft opening of the Pan Pacific Serviced Suites by October 2019.

Non-Property Division

The aluminium division operates within the highly competitive Singapore building industry that continues to face competitive pricing in government and private sector tenders. The Group is focused on maintaining stringent controls on expenses for the aluminium division.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding period of the immediate preceding year

Any dividend declared for the corresponding period of the immediate preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

Not applicable as there were no profits.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have a general mandate from shareholders for IPTs.

14. Confirmation pursuant to Rule 720(1) of the Catalist Rules

The Company has procured undertakings from all its directors and executive officers under Rule 720(1).

15. Confirmation by the board pursuant to Rule 705(5) of the Catalist Rules

I, Glen Chan, being a director of Pacific Star Development Limited (the "**Company**"), do hereby confirm on behalf of the directors of the Company, that to the best of my knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results of the Company and of the Group for the 3-month period ended 31 December 2018 to be materially false or misleading.

**On behalf of the Board of Directors of
PACIFIC STAR DEVELOPMENT LIMITED**

**Glen Chan
CEO and Managing Director**

Singapore, 11 February 2019

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**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by 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.

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