PACIFIC STAR
DEVELOPMENT LIMITED

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Business Reg. No: 198203779D

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Board of Directors (the "**Board**") of Pacific Star Development Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's Independent Auditors, Ernst & Young LLP, have included a disclaimer of opinion (the "**Disclaimer of Opinion**") in respect of the Group's going concern assumption in their Independent Auditors' Report dated 16 December 2021 (the "**Independent Auditors' Report**") in relation to the audited consolidated financial statements of the Group and the Company for the financial year ended 30 June 2021 ("**FY2021**") (the "**Financial Statements**").

A copy of the Independent Auditors' Report is attached to this announcement for information.

The Independent Auditors' Report and a complete set of the Financial Statements will also be contained in the Company's Annual Report for FY2021 ("**FY2021 Annual Report**"), which will be released on SGXNet on or about the date of this announcement. Shareholders of the Company are advised to read this announcement in conjunction with the FY2021 Annual Report.

An extract of the Note 2.1 of the Financial Statements pertaining to the Group's and Company's going concern assumption is also attached to this announcement for information in relation to the Disclaimer of Opinion.

The shares of the Company have been suspended from trading on the SGX-ST since 24 March 2020.

Shareholders of the Company are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

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

Ying Wei Hsein
Executive Chairman
16 December 2021

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Pacific Star Development Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Pacific Star Development Ltd (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the balance sheets of the Group and the Company as at 30 June 2021, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying 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 matter 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

Use of the going concern assumption

The Group's results for the financial year were adversely affected by the continuing challenges affecting the property market in Johor, Malaysia and incurred a net loss of $31,995,000. The Group generated negative operating cash flows of $4,411,000 during the current financial year. As at 30 June 2021, the Group is in net liability position of $79,302,000 and net current liability position of $32,453,000. The Group's loans and borrowings of $108,807,000 were classified as current liabilities as at 30 June 2021. The Group's current assets mainly comprise development properties amounting to $129,090,000 as at 30 June 2021. The Company's current liabilities also exceeded its current assets by $15,551,000 as at 30 June 2021. These factors, the continuing challenges faced by the Group in selling its development properties as planned and increasing level of indebtedness give rise to material uncertainties on the ability of the Group and Company to continue as going concern.

The financial statements have been prepared on going concern basis based on the assumptions as disclosed in Note 2.1 to the financial statements. However, we are unable to obtain sufficient appropriate evidence to conclude whether it is appropriate to use the going concern assumption to prepare these financial statements as the outcome of the Group's and Company's plans to realise its development properties as planned to address its liquidity challenges is inherently uncertain and cannot be reasonably determined at this point in time.

The carrying value of the assets as recorded on the balance sheets of the Group and Company as at 30 June 2021 has been determined based on the continuation of the Group and Company as a going concern and recovery in the normal course of business. 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.

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 Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Pacific Star Development Limited

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Auditor for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the financial statements in accordance with Singapore Standards on Auditing ("**SSAs**") and to issue an auditor's report. However, because of the matter 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 the 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

Considering insufficient information available in respect of the appropriateness of the going concern assumption of the Group and the Company, 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 of which we are the auditors, 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 Low Yen Mei.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

16 December 2021

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar (SGD or $) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

Going concern assumption

The Group's results for the financial year ended 30 June 2021 were adversely affected by the weak property market in Iskandar and the Group incurred a net loss of $31,995,000. As at 30 June 2021, the Group's capital deficiency amounted to $79,302,000 and the Group's loans and borrowings amounted to $155,478,000, of which $108,807,000 were classified as current liabilities. The Group's current assets of $132,145,000 mainly comprise development properties amounting to $129,090,000 as at 30 June 2021.

The Company incurred a net loss of $14,465,000 for financial year ended 30 June 2021 and as at that date, the Company's current liabilities exceeded its current assets by $15,551,000. The Company's current liabilities of $18,861,000 as at 30 June 2021 comprise mainly $3,651,000 due to PSD Holdings Pte. Ltd. ("**PSDH**") and $14,330,000 due to subsidiaries (collectively referred to herein as the "**Subordinated Debts**"), which are subordinated to the $72,000,000 Loan Facility provided by a group of lenders (the "**Loan Facility**").

The above factors and the challenging property market conditions in Iskandar could adversely impact the sale of the Group's development properties and give rise to material uncertainties on the abilities of the Group and Company to continue as going concerns.

In the assessment of going concern, the Board has considered the following factors:

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

(ii) The going concern of the Group.

As at the date of the issuance of this set of financial statements, considering that the maturity date of the Loan Facility have been amended to 5 October 2023 (Note 34(g)), there is no indication that the Subordinated Debts will be recalled since these are subordinated to the Loan Facility.

In the assessment of Group's going concern, the Board has considered the following factors:

(i) the negative implications and sentiments driven by the current COVID-19 pandemic;

(ii) the Group is in various stages of discussions with various parties in relation to the sales of significant numbers of units in PCR;

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Going concern assumption (cont'd)

(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; and

(b) in relation to the Loan Facility, the Group has entered into a definitive agreement with the Lenders which, amongst others, amended the maturity of the Loan Facility to 5 October 2023 and provided waivers for the various breaches relating to the Loan Facility covenants (Note 20(b)). This will enable the Group to restructure a significant portion of its loans and borrowing from current to non-current; and

(iv) the Group's cash flow projection for the next twelve (12) months.

The Board considered the above and concluded, despite the positive developments relating to item (iii) in the immediately preceding paragraph, that:

(a) unless the COVID-19 pandemic is brought under control globally, the fruition of such discussions as presented in item (ii) above will likely be delayed. Despite the Group's best efforts, the fruition of such measures as described in item (ii) above is uncertain and not within the control of the Group;

(b) the sale of units in PCR to individual buyers has slowed down significantly and may continue to be so until the COVID-19 pandemic is brought under control globally; and

(c) currently, there is no clear indication as to how long the COVID-19 pandemic will last, the extent of the damage to global economy; and when various countries will fully lift travel restrictions. This has also been exacerbated by the ongoing COVID-19 variant of concern, Omicron, which has led to various countries tightening travel restrictions yet again.

Based on the current circumstances, there is uncertainty as to whether the Group and the Company are able to meet their contractual obligations in the next twelve (12) months as and when they fall due, and consequently, there is uncertainty as to their respective abilities to operate as going concerns for the next twelve (12) months. Notwithstanding the above, the Board has assessed and is of the view that it is appropriate that the financial statements of the Group and Company are to be prepared on a going concern basis.

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their 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 sheets. In addition, the Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively (collectively referred to herein as the "**Adjustments**").

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.