

PACIFIC STAR DEVELOPMENT LIMITED

2 Venture Drive #19-15, Vision Exchange Singapore 608526

T: (65) 6411 0688 www.pacificstar-dev.com
Business Reg. No: 198203779D

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE AUDIT FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 based on the use of going concern assumption on the consolidated financial statements of the Group and the Company's balance sheet and statement of changes in equity (the "**Disclaimer Opinion**") in their Independent Auditors' Report dated 11 October 2019 (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 2019 ("**FY2019**") (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 audited Financial Statements will also be found in the Company's Annual Report for FY2019 ("**FY2019 Annual Report**"), which will be released on SGXNET in due course. Shareholders of the Company are advised to read this announcement in conjunction with the FY2019 Annual Report.

As at 30 June 2019, the Group's loans and borrowings amounted to \$117,762,000, of which \$4,093,000 were classified as current liabilities and as at that date, the Group is in net cash deficit position of \$446,000. The Group's current assets of \$175,022,000 mainly comprise development properties amounting to \$136,163,000 as at 30 June 2019. The Company incurred a net loss of \$123,054,000 (including \$120,449,000 of impairment in investment in subsidiaries which were eliminated on consolidation, hence having no bearing on the Group's results) during the financial year ended 30 June 2019 and as at that date, the Company's current liabilities exceeded its current assets by \$12,684,000. The Group's results for the FY2019 were adversely affected by the weak property market in Johor, Malaysia and incurred a net loss of \$25,219,000. These factors and the challenging property market condition in Johor, Malaysia, which could adversely impact the sale of the Group's development properties, give rise to material uncertainties on the ability of the Group and Company to continue as going concern.

The ability of the Company to continue as a going concern depends on materialisation of the continued financial support from PSD Holdings Pte. Ltd. ("**PSDH**"), being a company that is wholly-owned by a director and controlling shareholder, Mr Glen Chan, the sale of the Group's unsold units at Puteri Cove Residences located in Iskandar Puteri, Malaysia ("**PCR**") and the timely repatriation of such profits to enable the Company to continue as a going concern.

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.

In relation to the Disclaimer Opinion, the Board is of the opinion that the continuing use of the going concern assumptions in the preparation of the Financial Statements is appropriate having regard to the following:

- (i) The Group is exploring with various parties in relation to the enbloc sale for Tower 3 in PCR and has received a letter of offer from one of these parties. The Group is reviewing the offer while concurrently pursuing the divestment opportunities with other parties. The Group is cautiously confident in moving such discussions on potential enbloc sale towards a positive conclusion;
- (ii) The Group has been in discussion to sell the unsold units in Tower 1 and Tower 2 of PCR (the “**Remaining Units**”) to a buyer whilst concurrently holding preliminary discussions with other parties with a view of selling all the Remaining Units. In addition, the Group is also in discussions with several potential bulk buyers who are considering purchasing 10 to 20 units in PCR units. The Group continues to dialogue with these potential bulk buyers with a view to securing binding transactions;
- (iii) 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;
- (iv) Notwithstanding the current challenging market conditions in Iskandar Puteri, the Group continues to market and promote sales of PCR, from 1 July 2019 to 11 October 2019, the Group has signed eight (8) Sales & Purchase Agreements (“**SPAs**”) for PCR units for total net contract value of RM11.1 million, of which RM7.0 million has been collected. In addition, the Group had collected another RM0.5 million from its trade receivables as at 30 June 2019. The Group will continue to work on cash collection as well as new SPAs for PCR; and
- (v) While the \$11.52 million loans granted by PSDH to the Group is subordinated to the \$70.0 million facility, pursuant to the supplemental agreement dated 8 December 2018, PSDH has undertaken to provide up to \$5.72 million of loans to the Group to support its short-term cash shortfall, if required.

If the Group and Company is unable to continue in operational existence for the foreseeable future, the Group and the 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 sheets. In addition, the Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

The Board is of the opinion that sufficient information has been disclosed for the trading of the Company’s securities to continue in an orderly manner; and confirmed that all material disclosures have been provided for the trading of the Company’s shares to continue.

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
14 October 2019**

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 Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), which comprise the balance sheets of the Group and the Company as at 30 June 2019, 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

As at 30 June 2019, the Group's loans and borrowings amounted to \$117,762,000, of which \$4,093,000 were classified as current liabilities and as at that date, the Group is in net cash deficit position of \$446,000. The Group's current assets of \$175,022,000 mainly comprise development properties amounting to \$136,163,000 as at 30 June 2019. The Company incurred a net loss of \$123,054,000 during the financial year ended 30 June 2019 and as at that date, the Company's current liabilities exceeded its current assets by \$12,684,000. The Group's results for the year were adversely affected by the weak property market in Johor, Malaysia and incurred a net loss of \$25,219,000. These factors and the challenging property market condition in Johor, Malaysia, which could adversely impact the sale of the Group's development properties, 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 3.1 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 address its liquidity challenges cannot be reasonably determined at this time and the ability of the Group to realise its development properties as planned is uncertain.

The carrying value of the assets as recorded on the balance sheets of the Group and Company as at 30 June 2019 has been determined based on the continuation 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 sheets. 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 Group and Company's 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.

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 Bek Teng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

11 October 2019