PACIFIC STAR
DEVELOPMENT LIMITED

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MATERIAL VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meaning as defined in the announcements dated 29 August 2019 and 6 October 2019.

The board of directors (the "**Board**") of Pacific Star Development Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's unaudited full year financial statements and dividend announcement for the financial year ended 30 June 2019 ("**FY2019**") dated 29 August 2019 (the "**Unaudited Financial Statements**") and the announcement "Update of unaudited financial statement for the financial year ended from 1 July 2018 to 30 June 2019" dated 6 October 2019 (the "**Update Announcement**"), both released via SGXNet.

Pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Board wishes to announce and clarify certain material variances to the Unaudited Financial Statements following the finalisation of the audit and issuance of the auditor's report dated 11 October 2019 by the Company's external auditors, Ernst & Young LLP (the "**Independent Auditors' Report**", and the related audited financial statements is referred to herein as "the "**Audited Financial Statements**"). The details and explanations of the material variances are set out in Appendix A as annexed hereto.

With regard to the Audited Financial Statements and this announcement, shareholders of the Company (the "**Shareholders**") are advised to read both in conjunction with the Independent Auditors' Report, as released by the Company in the announcement dated 14 October 2019.

There is no variance between the summarised results as announced in the Update Announcement and the Audited Financial Statements.

Shareholders 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.

The Board confirms that to the best of their knowledge, all material disclosures, facts and information have been provided and announced and are not aware of any facts, information or disclosures, the omission of which would make any statement in this announcement or disclosures misleading.

On behalf of the Board
PACIFIC STAR DEVELOPMENT LIMITED

Ying Wei Hsein
Executive Chairman
14 October 2019

Appendix A

(i) Consolidated Statement of Comprehensive Income

Group	FY2019 $'000 (Unaudited)	FY2019 $'000 (Audited)	Variances	Note
Continuing operations				
Revenue	4,276	4,519	243	**1**
Cost of sales	(3,110)	(2,912)	198	**2**
Gross profit	**1,166**	**1,607**	**441**	
Other operating income	901	901	-	
Expenses:				
Marketing and distribution	(145)	(145)	-	
Administrative	(10,109)	(9,034)	1,075	**3**
Others	(4,090)	(4,090)	-	
Finance costs	(10,393)	(11,165)	(772)	**4**
Share of results of joint venture	2,500	(482)	(2,982)	**5**
Share of results of associate	328	(427)	(755)	**6**
Loss before tax from continuing operations	**(19,842)**	**(22,835)**	**(2,993)**	
Income tax expense	(1,865)	(1,865)	-	
Net loss from continuing operations, net of tax	**(21,707)**	**(24,700)**	**(2,993)**	
Net loss from discontinued operations, net of tax	(519)	(519)	-	
Net loss for the financial year	**(22,226)**	**(25,219)**	**(2,993)**	
Other comprehensive income, net of tax:				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences arising from:				
- joint venture	-	2,675	2,675	**7**
- associate	-	(614)	(614)	**8**
- consolidation	(1,047)	(1,345)	(298)	**9**
Total comprehensive loss for the financial year	**(23,273)**	**(24,503)**	**(1,230)**	
Net loss attributable to:				
Owners of the Company	(22,023)	(25,016)	(2,993)	**10**
Non-controlling interest	(203)	(203)	-	
	(22,226)	**(25,219)**	**(2,993)**	
Total comprehensive loss attributable to:				
Owners of the Company	(22,866)	(24,096)	(1,230)	**11**
Non-controlling interest	(407)	(407)	-	
	(23,273)	**(24,503)**	**(1,230)**	

Notes

1 The $0.24 million increase in revenue is due to the reversal of over-accrued sales incentive for units sold in Puteri Cove Residences in Iskandar Puteri, Malaysia (the "**PCR**").

2 The $0.20 million decrease in cost of sales is due to an audit adjustment pertaining to IFRSIC Conclusion on the Group's development properties and consequently resulted in a decrease in the cost of sales for PCR units sold.

3 The $1.08 million decrease in administrative expenses is largely due to the reclassification of $0.77 million of unamortised costs of Facility A from administrative expenses to finance costs thereby resulted in an increase in finance costs and a decrease in administrative expenses. The remaining $0.31 million of reduction in administrative expenses is attributable to other audit/late adjustments.

Appendix A

Notes (continued)

4 The $0.77 million increase in finance costs is as explained in Note 3 above.

5 The $2.98 million decrease in share of gains of joint venture is due to audit adjustments relating to the Group's joint venture, of which $2.68 million of the reduction is due to the reclassification of the Group's share of the joint venture's currency translation gain on consolidation which is now presented under "other comprehensive income, net of tax". Hence, the net increase to the Group's carrying value of joint venture (as a liability) amounted to $0.31 million.

6 The $0.76 million decrease in share of gains of associate is due to the reclassification of $0.61 million of the Group's share in the associate's currency translation losses on consolidation which is now presented under "other comprehensive income, net of tax" and $1.37 million of audit adjustments reducing the associate's gains which increases the Group's carrying value of its associate (as a liability) by the same amount.

7 The $2.68 million increase in share of joint venture's gains on translation differences on consolidation is as explained in Note 5 above.

8 The $0.61 increase in share of associate's losses on translation differences on consolidation is as explained in Note 6 above.

9 The $0.30 million increase in losses on currency translation differences on consolidation is largely attributable to audit adjustments pertaining to a subsidiary whose functional currency is Malaysian Ringgit and late/audit adjustments.

10 The $2.99 million increase in net loss attributable to owners of the Company is as explained in Notes 1 to 6 above.

11 The $1.23 million increase in total comprehensive loss attributable to owners of the Company is as explained in Notes 1 to 9 above.

Appendix A

(ii) Statement of Financial Position

S$'000	The Group 30-Jun-19 (Unaudited)	The Group 30-Jun-19 (Audited)	Variances	Note	The Company 30-Jun-19 (Unaudited)	The Company 30-Jun-19 (Audited)	Variances	Note
Non-current assets								
Investment in subsidiaries	-	-	-		167,838	49,198	(118,640)	**21**
Property, plant and equipment	52	52	-		-	-	-	
Total non-current assets	52	52	-		167,838	49,198	(118,640)	
Current assets								
Cash at bank	1,965	1,965	-		5	5	-	
Restricted cash	2,544	2,544	-		-	-	-	
Trade receivables	13,500	13,652	152	**12**	-	-	-	
Other receivables and other current assets	20,232	20,595	363	**13**	241	241	-	
Fixed deposits pledged	103	103	-		103	103	-	
Development properties	135,388	136,163	775	**14**	-	-	-	
Total current assets	173,732	175,022	1,290		349	349	-	
Total assets	**173,784**	**175,074**	**1,290**		**168,187**	**49,547**	**(118,640)**	
Non-current liabilities								
Loans and borrowings	113,669	113,669	-		-	-	-	
Other payables	1,556	1,557	1		-	-	-	
Total non-current liabilities	115,225	115,226	1		-	-	-	
Current liabilities								
Trade payables	8,027	7,843	(184)	**15**	-	-	-	
Other payables	23,715	24,172	457	**16**	13,033	13,033	-	
Loans and borrowings	4,093	4,093	-		-	-	-	
Current tax liabilities	10,879	10,879	-		-	-	-	
Joint venture	1,047	1,353	306	**17**	-	-	-	
Associate	804	2,174	1,370	**18**	-	-	-	
Total current liabilities	48,565	50,514	1,949		13,033	13,033	-	
Total liabilities	**163,790**	**165,740**	**1,950**		**13,033**	**13,033**	**-**	
Net assets	**9,994**	**9,334**	**(660)**		**155,154**	**36,514**	**(118,640)**	
Capital and reserves attributable to owners of the Company								
Share capital	47,801	47,801	-		197,055	197,055	-	
Treasury shares	-	-	-		(513)	(513)	-	
Accumulated losses	(40,085)	(39,479)	606	**19**	(41,388)	(160,028)	(118,640)	**22**
Other reserves	2,278	1,012	(1,266)	**20**	-	-	-	
Equity attributable to owners of the Company	**9,994**	**9,334**	**(660)**		**155,154**	**36,514**	**(118,640)**	
Non-controlling interest	-	-	-		-	-	-	
Total equity	**9,994**	**9,334**	**(660)**		**155,154**	**36,514**	**(118,640)**	

Appendix A

Notes (continued)

12 The $0.15 million increase in trade receivables pertains to the net impact of the reclassification of $0.51 million from progress billings and the reclassification of $0.36 million of balances to other receivables.

13 The $0.36 million increase in other receivables is as explained in Note 12 above.

14 The $0.78 million increase in development properties is due to the net impact of audit adjustment to development properties in relation to IFRSIC Conclusion, as explained in Note 2 above, which amounted to $0.20 million for FY2019 and $0.58 million for prior years (reflected as a reduction in opening accumulated losses).

15 The $0.18 million decrease in trade payables is largely due to the adjustment in relation to the reversal of $0.24 million in over-accrued sales incentive as explained in Note 1 above.

16 The $0.46 million increase in other payables is largely due to the reclassification from progress billings.

17 The $0.31 million increase in joint venture is as explained in Note 5 above.

18 The $1.37 million increase in associate is as explained in Note 6 above.

19 The $0.61 million decrease in accumulated losses is due to the $2.99 million increases explained in Note 1 to Note 6 above, which is offset by (i) the transfer of $3.02 million of credit balance in capital reserve to accumulated losses and (ii) the brought forward effects of opening accumulated losses $0.58 million due to the effects of IFRSIC Conclusion on the development properties brought forward balances as explained in Note 14 above.

20 The $1.27 million decrease in other reserves is due to net effect of transfer of capital reserve $3.03 million from other reserves to accumulated losses as explained in Note 19 above, which was partially offset by net impact of $1.76 million increases in foreign currency translation reserve as explained in Notes 7 to 9 above.

21 The $118.64 million decrease in the Company's investments in subsidiaries is due to additional impairment on the Company's investment in a subsidiary. The additional impairment was made after evaluating the estimated recoverable value from the investment in the subsidiary. The impairment is being eliminated on consolidation and has no impact on the Group's results.

22 The $118.64 million increase in the Company's accumulated losses is as explained in Note 21 above.

Appendix A

(iii) Consolidated Cash Flow Statement	**FY2019 $'000 (Unaudited)**	**FY2019 $'000 (Audited)**	**Variances**	**Note**
Cash flows from operating activities				
Loss before income tax from continuing operations	**(19,842)**	**(22,835)**	**(2,993)**	**23**
Loss before income tax from discontinued operations	(519)	(519)	-	
Loss before income tax	(20,361)	(23,354)	(2,993)	
Adjustments for:				
Finance costs	10,393	11,165	772	**24**
Accrual for penalties payable to Malaysian Tax Authority	-	3,060	3,060	**25**
Write-down of development properties	931	931	-	
Depreciation of property, plant and equipment	113	113	-	
Bad debts written off	49	49	-	
Write-down of fixed deposit	(150)	-	150	**26**
Share of results of associate	(328)	427	755	**27**
Interest income	(377)	(377)	-	
Share of results of joint venture	(2,500)	482	2,982	**28**
Unrealised foreign exchange gain	(2,947)	-	2,947	**29**
Loss on liquidation of subsidiaries	(4,757)	519	5,276	**30**
Operating cash flow before working capital changes	**(19,934)**	**(6,985)**	**12,949**	
Movement in working capital:				
Changes in trade, other receivables and other current assets	14,776	14,212	(564)	**31**
Changes in inventories and construction contracts	561	-	(561)	**32**
Changes in development properties	(222)	(13,427)	(13,205)	**33**
Changes in trade, other payables and provision for warranty	(1,557)	4,678	6,235	**34**
Changes in advance billings	(11,724)	(10,344)	1,380	**35**
Effects of currency translation on working capital	-	(2,971)	(2,971)	**36**
Cash flows used in operations	(18,100)	(14,837)	3,263	
Interest income received	98	98	-	
Finance costs paid	(5,844)	(8,633)	(2,789)	**37**
Income tax paid	(4,356)	(4,356)	-	
Net cash used in operating activities	**(28,202)**	**(27,728)**	**474**	
Cash flows from investing activities				
Disposal of marketable security	4	-	(4)	
Additions to property, plant and equipment	(37)	(64)	(27)	
Acquisition of subsidiaries, net of cash	(11,000)	-	11,000	**38**
Net cash used in investing activities	**(11,033)**	**(64)**	**10,969**	
Cash flows from financing activities				
Proceeds from loan from a group of third parties	61,921	61,921	-	
Advance from a related party	1,600	1,600	-	
Movement in fixed deposits pledged with banks	49	398	349	**39**
Repayment of finance lease liabilities	(58)	(58)	-	
Net (repayments of)/proceeds from bank loan	(61)	1,695	1,756	**40**
Repayment to a related party	(9,600)	(9,600)	-	
Movement in restricted cash	-	(2,544)	(2,544)	**41**
Repayment of loan from non-controlling interest	(15,205)	(15,205)	-	
Acquisition of subsidiaries, net of cash		(11,000)	(11,000)	**42**
Deemed disposal of cash and cash equivalent	-	(4)	(4)	
Net cash generated from financing activities	**38,646**	**27,203**	**(11,443)**	
Net decrease in cash and cash equivalents	(589)	(589)	-	
Effect of currency translation on cash and cash equivalents	(27)	(27)	-	
Cash and cash equivalents at beginning of financial year/period	170	170	-	
Cash and cash equivalents at end of financial year/period	(446)	(446)	-	

Appendix A

Notes (continued)

23 The $2.99 million increase in loss before income tax from continuing operations is the result of the net impact of adjustments as explained in Notes 1 to Note 6 above.

24 The S$0.77 million increase in finance costs is as explained in Note 4 above.

25 The $3.06 million increase in accrual for penalties payable to Malaysian Tax Authority is due to the presentation in consolidated cash flow statement as a separate line item as compared to that previously presented in “changes in trade, other payables and provision for warranty” line item.

26 The $0.15 million reduction in “write-down of fixed deposit” is due to the reclassification of cash flow effects of such write-down to “loss on liquidation of subsidiaries”.

27 The $0.76 million changes in share of results of associate is as explained in Note 6 above.

28 The $2.98 million changes in share of results of joint ventures is as explained in Note 5 above.

29 The $2.95 million reduction in “unrealised foreign exchange gain” is due to the presentation of which under “effects of currency translation on working capital”, as explained in Note 36 below.

30 The $5.28 million changes in “loss on liquidation of subsidiaries” is due to the reclassification of cash flow effects of subsidiaries under liquidation to various line items under “movement in work capital” in the consolidated cash flow statement.

31 The $0.56 million decrease in “changes in trade, other receivables and other current assets” is largely due to the effects reclassification of the cash flow impact of “loss on liquidation of subsidiaries” as explained in Note 30 above.

32 The $0.56 million decrease in “changes in inventories and construction contracts” is due to the effects of reclassification of the cash flow impact of “loss on liquidation of subsidiaries” as explained in Note 30 above.

33 The $13.21 million increase in “changes in development properties” is largely due to the $0.78 million of effects of IFRSIC Conclusion as explained in Note 14 above and $13.0 million adjustments relating to payables associated with development properties. The remaining differences is attributable to effects of translation on consolidation.

34 The $6.24 million changes in “changes in trade, other payables and provision for warranty” is largely due the increase of $13.0 million due to the reclassification of payables relating the development properties as explained in Note 33 above and $2.02 million reclassification of accrual of costs related to loans from a group of third parties as explained in Note 37 below which was partially offset by the reclassification of $3.06 million relating to the accrual for penalties payable to Malaysian Tax Authority as explain in Note 25 above and the $5,72 million of effects of reclassification of the cash flow impact of “loss on liquidation of subsidiaries” as explained in Note 30 above.

35 The $1.38 million increase in “changes in advance billings” is largely due to the effects of reclassification of the cash flow impact of “loss on liquidation of subsidiaries” as explained in Note 30 above.

Appendix A

Notes (continued)

36 The $2.97 million increase in "effects of currency translation on working capital" is largely due to the reclassification as explained in Note 29 above.

37 The $2.79 million increase in "finance costs paid" is due to the reclassification of $0.77 million of unamortised costs in relation Facility A as explained in Note 3 and $2.02 million of adjustments to account for the accrual of costs relating to the loans from a group of third parties which was included under the effects of "trade, other payables and progress billing" in the unaudited cash flow statement.

38 The $11.00 million decrease in "acquisition of subsidiaries, net of cash" is due to the presentation of which under a line item under "cash flows from financing activities" instead of a line item under "cash flows from investing activities", please refer to Note 42 below.

39 The $0.35 million increase in "movement in fixed deposits pledged with banks" is due to the effects of reclassification of the cash flow impact of "loss on liquidation of subsidiaries" as explained in Note 30 above.

40 The $1.76 million changes in "net proceeds from bank loan" is the adjustment relating to the $0.77 million of unamortised costs as explained in Note 4 above which was offset by the reclassification of $2.54 million of restricted cash which is now presented as a separate line item, please see Note 41 below.

41 The $2.54 million increase in "movement in restricted cash" is now presented as a separate line item instead of netting against "proceeds from bank loan".

42 The $11.00 million increase in "acquisition of subsidiaries, net of cash" is as explained in Note 38.