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 2020

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 2020 ("**FY2020**") dated 29 August 2020 (the "**Unaudited Financial Statements**") released via SGXNet.

Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meaning as defined in the Unaudited Financial Statements.

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 14 January 2021 by the Company's external auditors, Ernst & Young LLP (the "**Independent Auditors' Report**", and the related audited financial statements are 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 released by the Company in the announcement dated 14 January 2021.

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 its 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 January 2021

Appendix A

(i) Consolidated Statement of Comprehensive Income

Group	FY2020 $'000 (Unaudited)	FY2020 $'000 (Audited)	Variances	Note
Revenue	5,712	5,763	51	**1**
Cost of sales	(4,890)	(4,940)	(50)	**1**
Development properties cost adjustment	-	(4,691)	(4,691)	**2**
Gross profit/(loss)	822	(3,868)	(4,690)	
Other operating income	4,332	4,374	42	**3**
Expenses:			-	
Marketing and distribution	(124)	(124)	-	
Administrative	(6,332)	(6,360)	(28)	**4**
Other expenses	(1,177)	(10,995)	(9,818)	**5**
Finance costs	(20,309)	(20,351)	(42)	**6**
Share of results of joint venture	(15,692)	(15,840)	(148)	**7**
Share of results of associate	(3,775)	(4,011)	(236)	**8**
Loss before tax from continuing operations	(42,255)	(57,175)	(14,920)	
Income tax expense	(37)	(37)	-	
Net loss from continuing operations/Net loss for the financial year	(42,292)	(57,212)	(14,920)	
Other comprehensive income, net of tax:				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences arising from				
- associate	71	307	236	**8**
- joint venture	(186)	(37)	149	**7**
- consolidation	(73)	54	127	**9**
	(188)	324	512	
Total comprehensive loss for the financial year	**(42,480)**	**(56,888)**	**(14,408)**	
Net loss for the financial year attributable to:				
Owners of the Company	**(42,292)**	**(57,212)**	**(14,920)**	**10**
Total comprehensive loss for the financial year attributable to:				
Owners of the Company	**(42,480)**	**(56,888)**	**(14,408)**	**11**

Notes

1 The variance was due to a reclassification adjustment made to correct a posting error in relation to the agent's commission for the sale of a Puteri Cove Residences ("**PCR**") unit. The difference of $1,000 between the variances for revenue and cost of sales were due to the effects of rounding.

2 The $4.69 million increase was attributable to the audit adjustment due to the expected commercial resolution of the final accounts relating to a contractor, resulting in a revision to the estimate of development properties costs for PCR units sold prior to FY2020.

3 The $42,000 increase in other income was attributable to the recognition of rental income from the retail units at Puteri Cove Quayside ("**PCQ**").

4 The $28,000 increase in administrative expenses was due to the amortisation of renovation subsidy of $29,000 recorded as deferred costs to match the rental income in Note 3. The variance of $1,000 as compared to Note 13 was due to the effects of rounding.

5 The $9.82 million increase in other expenses was attributable to the $10.27 million increase in write-down of development properties (unsold PCR and PCQ units) to their estimated net realisable value which was partially offset by the reversal of $0.45 million of penalties relating to the GST clawback since the GST clawback and the related penalties have been reflected as a prior period adjustment (Note 39(a) of Audited Financial Statements).

6 The $42,000 increase in finance costs was due to the additional amortisation of transactional costs relating to Facility A.

7 The variance was attributable to the reclassification of $148,000 from the effects of currency translation differences on the joint venture previously presented in other comprehensive income to the share of results of joint venture. The variance of $1,000 was due to the effects of rounding.

8 The variance was attributable to the reclassification of $0.24 million from the effects of currency translation differences on the associate previously presented in other comprehensive income to the share of results of associate.

9 The increase of $0.13 million was attributable to the effects of the translation of foreign subsidiary's audit adjustments.

10 The $14.92 million increase in the net loss for the financial year attributable to owners of the Company was due to the cumulative effects on net loss from continuing operations as explained in Notes 1 to 8.

11 The $14.41 million increase in the total comprehensive loss for the financial year attributable to owners of the Company was due to the cumulative effects on the total comprehensive loss for the financial year as explained in Notes 1 to 9.

Appendix A

(ii) Statement of Financial Position

$'000	The Group 30-Jun-20 (Unaudited)	The Group 30-Jun-20 (Audited)	Variances	Note	The Company 30-Jun-20 (Unaudited)	The Company 30-Jun-20 (Audited)	Variances	Note
Non-current assets								
Property, plant and equipment	69	69	-		-	-	-	
Right-of-use assets	424	424	-		-	-	-	
Investment in subsidiaries	-	-	-		49,198	13,246	(35,952)	**12**
Deferred costs	-	306	306	**13**	-	-	-	
Total non-current assets	493	799	306		49,198	13,246	(35,952)	
Current assets								
Deferred costs	422	87	(335)	**13**	-	-	-	
Development properties	139,761	135,236	(4,525)	**14**	-	-	-	
Trade receivables	5,892	5,934	42	**15**	-	-	-	
Other receivables and other current assets	841	841	-		3,254	3,254	-	
Fixed deposits pledged	-	-	-		-	-	-	
Cash at bank	3,320	3,320	-		104	104	-	
Restricted cash	1,748	1,748	-		-	-	-	
Total current assets	151,984	147,166	(4,818)		3,358	3,358	-	
Total assets	**152,477**	**147,965**	**(4,512)**		**52,556**	**16,604**	**(35,952)**	
Non-current liabilities								
Loans and borrowings	33,360	41,096	7,736	**16**	-	-	-	
Lease liabilities	205	205	-		-	-	-	
Trade payables	249	249	-		-	-	-	
Other payables	60	60	-		-	-	-	
Total non-current liabilities	33,874	41,610	7,736		-	-	-	
Current liabilities								
Loans and borrowings	103,919	96,224	(7,695)	**16**	-	-	-	
Lease liabilities	248	248	-		-	-	-	
Trade payables	11,627	21,273	9,646	**17**	-	-	-	
Other payables	25,451	25,285	(166)	**18**	17,612	17,612	-	
Deferred income	114	114	-		76	76	-	
Joint venture	-	-	-		-	-	-	
Associate	-	-	-		-	-	-	
Current tax liabilities	10,390	10,400	10	**19**	-	-	-	
Total current liabilities	151,749	153,544	1,795		17,688	17,688	-	
Total liabilities	**185,623**	**195,154**	**9,531**		**17,688**	**17,688**	**-**	
Net liabilities/(assets)	**(33,146)**	**(47,189)**	**(14,043)**		**34,868**	**(1,084)**	**(35,952)**	
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	(81,771)	(96,323)	(14,552)	**20**	(161,674)	(197,626)	(35,952)	**21**
Reserves	824	1,333	509	**22**	-	-	-	
(Capital deficieny) /Equity attributable to owners of the Company and total equity	**(33,146)**	**(47,189)**	**(14,043)**		**34,868**	**(1,084)**	**(35,952)**	

Appendix A

Notes (continued)

12 The $35.95 million decrease in the Company's investments in subsidiaries was due to impairment on the Company's investment in a subsidiary. The impairment was made after evaluating the estimated recoverable value from the investment in the subsidiary. The impairment was eliminated on consolidation and had no impact on the Group's results.

13 The variance was attributable to the net effects of reclassification of $0.31 million of the Group's deferred cost (renovation subsidies provided to PCQ tenants) and the $29,000 of amortisation of deferred cost as explained in Note 4 above.

14 The $4.53 million reduction of the Group's development properties was attributable to the net effect of $10.27 million write-down of development properties (Note 5), $4.69 million of development properties cost adjustment (Note 2), which was partially offset by the $9.65 million accrual of cost relating to a contractor (Note 17), $0.69 million of net effects of prior period adjustment (Note 39(a) of the Audited Financial Statement) and $0.09 million of translation differences.

15 The $42,000 increase in the Group's trade receivables was attributable to the trade receivables associated with the recognition of rental income as explained in Note 3.

16 The variance was attributable to the net effect from the reclassification of $7.70 million of the Group's loans under Facility A from current liabilities to non-current liabilities to account for the effects of the moratorium provided by the lender of Facility A and the $42,000 amortisation of transaction costs relating to Facility A as explained in Note 6. The variance of $1,000 was due to the effects of rounding.

17 The $9.65 million increase in Group's trade payables was due to the accrual of cost relating to a contractor as explained in Note 14.

18 The $0.17 million reduction in the Group's other payables was the net effect due to the reversal of $0.45 million of penalties relating to GST clawback as explained in Note 5, partially offset by $0.28 million of penalties relating to GST clawback recorded as prior period adjustment (Note 39(a) of the Audited Financial Statements).

19 The $10,000 increase in the Group's income tax liabilities was attributable to the tax effects of prior period adjustments (See Note 39(a) of the Audited Financial Statements).

20 The $14.55 million increase in the Group's accumulated losses was attributable to the net effect of $14.92 million adjustments effecting the consolidated income statement which was partially offset by $0.37 million of effects pursuant to prior period adjustment (See Note 39(a) of the Audited Financial Statements).

21 The $35.95 million increase in the Company's accumulated losses was attributable to the impairment of investment in a subsidiary as explained in Note 12.

22 The $0.51 million increase in the Group's reserves was attributable largely attributable to the effects of currency translation differences on joint venture, associate and consolidation as explained in Notes 7, 8 and 9 under other comprehensive income.

Appendix A

(iii) Consolidated cash flow statement

	The Group			
	Financial year ended 30 June 2020	Financial year ended 30 June 2020	Variance	Note
	$'000	$'000	$'000	
Cash flows from operating activities	**(Unaudited)**	**(Audited)**		
Loss before income tax from continuing operations	(42,255)	(57,175)	(14,920)	**23**
Loss before income tax from discontinued operations	-	-	-	
Loss before tax	(42,255)	(57,175)	(14,920)	
Adjustments for:				
Finance costs	20,309	20,351	42	**24**
Share of results of joint venture	15,692	15,840	148	**25**
Write-down of development properties	-	10,269	10,269	**26**
Share of results of associate	3,775	4,011	236	**27**
Accrual for penalties relating to GST clawback	451	-	(451)	**28**
Depreciation of right-of-use assets	254	254	-	
GST written off	225	225	-	
Amortisation of deferred costs	-	29	29	**29**
Depreciation of property, plant and equipment	26	26	-	
Bad debts written off - non-trade	19	19	-	
Eepected credit loss on trade receivables	9	9	-	
Deposits and prepayment written off	6	6	-	
Deemed waiver of loans from a related party	(2,220)	(2,220)	-	
Interest income	(1,316)	(1,316)	-	
Forfeiture income	(627)	(627)	-	
Write-back of payables to third parties	(60)	(60)	-	
Others	(4)	(4)	-	
Operating cash flow before working capital changes	(5,716)	(10,363)	(4,647)	
Movement in working capital:				
Changes in development properties	(3,008)	1,598	4,606	**30**
Changes in deferred costs	(96)	(96)	-	
Changes in trade, other receivables and other current assets	5,731	5,689	(42)	**31**
Changes in trade, other payables and provision for warranty	270	270	-	
Changes in deferred income	70	70	-	
Effects of currency translation on working capital	216	299	83	**32**
Cash flows used in operations	(2,533)	(2,533)	-	
Interest income received	180	180	-	
Finance costs paid	(4,431)	(4,431)	-	
Income tax paid	(493)	(493)	-	
Net cash used in operating activities	**(7,277)**	**(7,277)**	**-**	
Cash flows from investing activities				
Purchase of property, plant and equipment	(43)	(43)	-	
Net cash used in investing activities	**(43)**	**(43)**	**-**	
Cash flows from financing activities				
Proceeds from loans from Lenders	8,079	8,079	-	
Net proceeds from bank loan	2,496	2,496	-	
Movement in fixed deposits pledged with banks	103	103	-	
Movement in restricted cash	(1,764)	(1,764)	-	
Repayment of lease liabilities	(249)	(249)	-	
Net cash generated from financing activities	**8,665**	**8,665**	**-**	
Net increase in cash and cash equivalents	**1,345**	**1,345**	-	
Effect of currency translation on cash and cash equivalents	6	6	-	
Cash and cash equivalents at beginning of financial year	(446)	(446)	-	
Cash and cash equivalents at end of financial year	**905**	**905**	**-**	

Appendix A

Notes (continued)

23 The $14.92 million increase in loss before income tax from continuing operations was the result of the net impact of adjustments on loss before tax from continuing operations as explained in Notes 1 to Note 8.

24 The $42,000 increase in finance costs was explained in Note 6.

25 The $148,000 increase in the share of results in joint venture was explained in Note 7.

26 The $10.27 million increase in write-down of investment properties was explained in Note 5.

27 The $0.24 million increase in the share of results in associate was explained in Note 8.

28 The $0.45 million reduction in accrual for penalties relating to GST clawback was explained in Note 5.

29 The $29,000 increase in amortisation of deferred costs was explained in Note 4.

30 The $4.61 million changes in development properties was due to the $4.53 million reduction in development properties as explained Note 14 and the $0.09 million of effects of translation.

31 The $42,000 reduction in changes in trade, other and current assets was explained in Note 15.

32 The variance $83,000 was largely attributable to the effects of adjustments relating to development properties as explained in Note 14.