

PACIFIC STAR DEVELOPMENT LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198203779D)

ENTRY INTO LOAN AGREEMENTS

Background

1. 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 has on 7 June 2022 entered into:
 - (i) a loan agreement with Cheong Shiang Kiat (“**Lender 1**”, and such loan agreement shall be referred to as the “**Loan Agreement 1**”); and
 - (ii) a loan agreement with Kingwood Services Limited (“**Lender 2**”, and such loan agreement shall be referred to as the “**Loan Agreement 2**”).
2. In this announcement:
 - (i) Lender 1 and Lender 2 shall be referred to collectively as the “**Lenders**”, and each a “**Lender**”;
 - (ii) Loan Agreement 1 and Loan Agreement 2 shall be referred to collectively as the “**Loan Agreements**”, and each a “**Loan Agreement**”; and
 - (iii) the loans under the Loan Agreements shall be referred to collectively as the “**Loans**”, and each a “**Loan**”.
3. Pursuant to the Loan Agreements, which are identical in form and substance, Lender 1 and Lender 2 have each agreed to grant a loan facility in the principal amount of S\$100,000 to the Company, subject to the terms and conditions set out in the respective Loan Agreements. Accordingly, the Lenders are lending a total of S\$200,000 to the Company.

Salient Terms

4. A summary of the salient terms of each Loan Agreement is set out below:
 - (a) Proposed Loan Facility: A Singapore Dollar denominated loan facility.
 - (b) Commitment: S\$100,000.
 - (c) Availability Period: The period commencing from and including the date of the Loan Agreement up to and ending on and including the date falling one (1) month from the date of the Loan Agreement, or any other date as may be mutually agreed by the Company and the Lender.
 - (d) Purpose: The Company shall apply all amounts borrowed by it under the Loan towards repayment of debts owed by the Company to its former wholly-owned subsidiary, LH Aluminium Industries Pte Ltd (in liquidation) (“**LHAI**”). As at the date of the Loan Agreement, there is a sum of S\$410,792.17 owing by the Company to LHAI, such amount pertains to advances provided by LHAI to the Company prior to LHAI liquidation.
 - (e) Conditions Precedent: The utilisation of the Loan is conditional upon the following:
 - (i) no default is continuing or would result from the Loan; and
 - (ii) the representations and warranties in the Loan Agreement are true in all material respects.

- (f) Utilisation: The Company may utilise the Loan by way of a single drawdown by delivery to the Lender of one duly completed utilisation request.
- (g) Interest Rate: 25% per annum (based on a 360 day count). The interest on the Loan shall accrue and be capitalised at the end of each calendar quarter (that is, 31 March, 30 June, 30 September and 31 December of each year) and added to the outstanding principal amount of the Loan, and such capitalised interest will subsequently be treated for all purposes of the Loan Agreement as part of the principal amount of the Loan.
- (h) Default Interest: If the Company fails to pay any amount payable by it under the Loan Agreement on its due date including, without limitation, any interest capitalised pursuant to each quarterly capitalisation, interest shall accrue on the unpaid sum from the due date up to the date of actual payment at the default rate which is 3% higher than the interest rate.
- (i) Maturity Date: The maturity date of the Loan shall be co-terminus with the OCP Loan. The maturity date of the Loan shall be the same as that of the OCP Loan pursuant to the terms of the definitive agreement governing the OCP Loan (as amended, restated and/or restructured from time to time) or such other date as may be agreed by the Lender so long as the aforementioned date is not earlier than the maturity date of the OCP Loan. In addition, the maturity date of the OCP Loan is also co-terminus with the maturity date of the OCP Additional Financing and Facility A. Currently, the maturity date of the Loan, taking reference from that of the OCP Loan, OCP Additional Financing and Facility A is 5 October 2023.

For the purposes of this announcement, the following terms are defined as follow:

- **“Bank”** means United Overseas Bank (Malaysia) Bhd, the principal bank of PDD.
 - **“CH Biovest”** means CH Biovest Pte. Limited, a controlling shareholder of the Company.
 - **“CH Loan”** means the loan of S\$500,000 granted by CH Biovest to the Company pursuant to a loan agreement dated 28 January 2022, which was announced by the Company 28 January 2022 and for which the Company obtained shareholder approval pursuant to an extraordinary general meeting held on 22 February 2022.
 - **“Facility A”** means the existing loan facility provided by the Bank to PDD.
 - **“Group of Lenders”** means OL Master (Singapore Fund 1) Pte Limited, Orchard Landmark II (Singapore Fund 1) Pte Limited, and OCP Asia Fund III (SF 1) Pte Limited.
 - **“OCP Additional Financing”** means the loan facility of up to S\$32,178,000 granted by the Group of Lenders to PDD as additional financing for PDD to sustain its operations. The facility agreement in respect of the OCP Additional Financing was signed by, amongst others, PDD and the Group of Lenders on 1 October 2021 and was announced on 14 October 2021, and subsequently amended pursuant to an amendment agreement dated 31 March 2022 which was announced on 4 April 2022.
 - **“OCP Loan”** means the S\$72,000,000 loan facility granted by the Group of Lenders to Twin Prosperity Group pursuant to a loan facility agreement dated 24 December 2018, amended pursuant to an amendment agreement dated 30 June 2021, and further amended and restated pursuant to an amendment and restatement agreement dated 1 October 2021 which was announced on 14 October 2021.
 - **“PDD”** means Pearl Discovery Development Sdn Bhd, an indirect wholly-owned subsidiary of the Company. PDD is the principal subsidiary of the Company and is the development company of Puteri Cove Residences and Quayside, the mixed-development property project located in Puteri Harbour, Iskandar Puteri, Malaysia.
 - **“Twin Prosperity Group”** means Twin Prosperity Group Limited, an indirect wholly-owned subsidiary of the Company and the holding company of PDD.
- (j) Priority of Repayment: The Loan shall only be repaid after Facility A and the OCP Loan and OCP Additional Financing are repaid in full by the Group to the Bank and the Group of Lenders respectively.

- (k) **Prepayment:** The Company shall prepay the Loan in full within five (5) business days of the date of the Company's repayment in full of the Group's indebtedness to the Bank (in relation to Facility A) and the Group of Lenders (in relation to the OCP Loan and OCP Additional Financing) together with accrued interest and all amounts payable under the Loan Agreement.

Details of the Lenders

5. Lender 1 is a private investor and has no relationship with the Group, whether by way of shareholding, directorship or in terms of business dealings. He is a personal contact of Mr Ying Wei Hsein ("**Mr Ying**"), the Executive Chairman of the Company.
6. Lender 2 is an investment holding company owned by Mr Liu Tie Long ("**Mr Liu**"), who is a businessman and the sole shareholder and director of Lender 2. Each of Lender 2 and Mr Liu has no relationship with the Group, whether by way of shareholding, directorship or in terms of business dealings. Mr Liu is a personal contact of Mr Ying.
7. Neither of the Lenders and Mr Liu is related to any of the Directors and controlling shareholders of the Company. Although they are personal contacts of Mr Ying, for the avoidance of doubt, there are no familial relationships between the either of the Lenders/Mr Liu and Mr Ying.

Rationale for the entry into the Loan Agreements

8. LHAI was previously a wholly-owned subsidiary of the Company operating as an aluminium contractor in Singapore. On 31 May 2019, as announced by the Company, an extraordinary general meeting as well as a creditors' meeting in respect of LHAI was held. Pursuant to the aforementioned meetings, LHAI was put into liquidation by way of a creditors' voluntary winding up. Since the commencement of LHAI's liquidation proceedings, there is a net aggregate sum of S\$410,792.17 owing by the Company to LHAI (the "**LHAI Sum Owing**"). In the almost three-year period since then, the Company has been seeking avenues and solutions to settle the payment of the LHAI Sum Owing, such as exploring payment-in-kind using other assets of the Group. However, such efforts did not come to fruition due to circumstances outside the Company's control. In view of the significant passage of time since the commencement of LHAI's liquidation proceedings, the settlement of the LHAI Sum Owing cannot be left open indefinitely. Therefore, the Company has entered into negotiations with the liquidator of LHAI to work out a schedule of repayment relating to the settlement of the LHAI Sum Owing.
9. The Company requires financing from the Lenders because of the following reasons:
 - (a) the existing loans from the Group's existing lenders (i.e. the Bank, the Group of Lenders and CH Biovest) have either been already fully drawn down or are designated for specific purposes, such as the operating expenses of PDD and the Group and for the Company's listing-related expenses. Therefore, these existing loans cannot be used for the purposes of repaying the LHAI Sum Owing; and
 - (b) the Group of Lenders and CH Biovest are currently not in a position to re-designate the use of loan proceeds from their loans or to extend further financing to the Company for the purposes of settling the LHAI Sum Owing.
10. The Loans are instrumental in the Company's negotiations with the liquidators of LHAI to work out a schedule of repayment of the LHAI Sum Owing. In respect of the terms of the Loans, it is noted that:
 - (a) the interest rate is not different from that of the OCP Loan and the Company's most recent CH Loan, whereby interest accrues at a rate of 25% per annum compounded at the end of every calendar quarter and capitalised to the outstanding principal amount;
 - (b) the maturity date of the Loans is not earlier than that of the OCP Loan or the most recent CH Loan, which in turn are co-terminus with the OCP Additional Financing and Facility A; and
 - (c) unlike the OCP Loan, OCP Additional Financing and Facility A which are secured loans, and similar to the CH Loan, the Loans are unsecured. The OCP Loan, OCP Additional Financing and Facility A rank ahead of the Loans in terms of priority of repayment.
11. On the above bases, the terms of the Loans are reasonable to the Company.

Interests of Directors and Controlling Shareholders

12. None of the directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Loan Agreements.

Cautionary Statement

13. The Company will continue to keep its shareholders updated and will make the appropriate announcements as and when there are any material updates or developments.
14. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should 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 legal, financial, tax or other professional advisers.

ON BEHALF OF THE BOARD

Ying Wei Hsein
Executive Chairman
9 June 2022

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.

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