

PACIFIC STAR DEVELOPMENT LIMITED

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

INITIATION OF BANKRUPTCY PROCEEDINGS AGAINST KANOKKORN PATTANA CO., LTD.

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 on 22 June 2020, the Group has initiated the bankruptcy of Kanokkorn Pattana Co., Ltd. (“**KNK**”), a Thai joint venture company held via the Group’s associate and joint venture companies. The joint venture partner in respect of KNK is Tiwanon Development Ltd. KNK is the developer and the asset holding company of the Group’s condominium development located in Bangkok, Thailand, known as “The Posh Twelve” (“**P12**”).
2. The Company refers to its Unaudited Financial Statements And Dividend Announcement For The Three-Month Financial Period And Nine-Month Financial Period Ended 31 March 2020 dated 12 May 2020 (the “**3QFY2020 Announcement**”). In the 3QFY2020 Announcement, it was stated that the Group was in the midst of performing a strategic review of its investment in P12. Pursuant to the strategic review, Minaret Holdings Limited (“**Minaret**”), the Group’s joint venture company, decided to initiate a bankruptcy of KNK by recalling the loans made by Minaret to KNK (the “**KNK Bankruptcy**”). Minaret had issued a letter requesting for payment of these loans on 5 June 2020. On 18 June 2020, KNK had replied to Minaret stating that it is not able to repay these loans. Arising therefrom, Minaret has submitted a bankruptcy petition against KNK on 22 June 2020 in the Thai Bankruptcy Court.
3. The decision to initiate the KNK Bankruptcy is based on the following considerations:
 - (a) The property market in Thailand has been very challenging in recent years, in part due to a supply glut and difficult macroeconomic conditions. These have been significantly exacerbated by the current COVID-19 pandemic. The negative sentiment as well as travel and safety restrictions have severely impacted the business and operations of KNK;
 - (b) As stated in the Company’s announcement dated 3 February 2020 titled “Posh Twelve Construction – Stoppage of Work” and the 3QFY2020 Announcement, KNK had received a stoppage of work notice from China Railway Construction (Southeast Asia) Co., Ltd (“**CRCC**”), the main contractor of the P12 construction work. Based on the current situation, the completion of the P12 project (if possible) will be delayed. The delay in the handover of units has resulted in a significant number of cancellation of Sales and Purchase Agreements and requests to refund the deposits made. KNK is not in a position to meet these refund requests. These factors, together with the delay in payment to CRCC, have increased the litigation risks faced by KNK;
 - (c) Till date, fund raising efforts by KNK for the P12 project have not been conclusive. The Group and the joint venture partner of the P12 project are not in a position to inject further funds into KNK to complete the construction of P12; and
 - (d) The Group’s going concern issues as highlighted in the 3QFY2020 announcement.

The Board has considered the above-mentioned factors, and the costs of managing, operating, funding and seeing the P12 project to completion would outweigh the benefits. Hence, it is necessary to cease the Group’s participation and continuation of the P12 project. Based on current conditions and available information, the initiation of the KNK Bankruptcy would be the most cost-effective way to orderly wind down the Group’s involvement in P12.

4. In the 3QFY2020 Announcement (Paragraph 8, on page 17 therein), the Company had set out the Board's view of the assessment of going concern of the Group (the "**Going Concern Assessment**"). Sub-paragraph (iv), (vi) and (c) are reproduced as follows:

*"(iv) The Group is currently working to secure a re-financing package for P12 (the "**P12 Refinancing**"), subject to amongst others, the consent of the lenders of the Loan Facility. If such re-financing package materialises, the Group may, subject to meeting certain requirements, obtain certain amount of capital and loans repatriation;"*

*"(vi) PDD has requested the lender of Facility A to reduce the principal repayment for May and June 2020 (due in June and July 2020 respectively) by 50%, a moratorium from the lender of the Facility A to defer the monthly principal payments due in July to December 2020 by six months (the "**Grace Period**") and an extension of Facility A's final due date by six months (collectively referred to herein as the "**Requests**");"*

"(c) If the P12 Refinancing materialises, the capital and loans repatriation, if approved by the lenders, may only materialise in December 2020;"

In view of the initiation of the KNK Bankruptcy, sub-paragraphs (iv) and (c) of the Going Concern Assessment are no longer applicable.

The Company had made an announcement dated on 18 June 2020 titled "Update in Respect of Discussions with Lender" which relates to sub-paragraph (vi) of the Going Concern Assessment (the "**18 June 2020 Announcement**"). In the 18 June 2020 Announcement, the Company had announced that the Lender (as defined therein) had agreed to the following Requests of the Company:

- (1) PDD (as defined in the 18 June 2020 Announcement) is allowed to settle its principal repayments for May 2020 and June 2020 by way of partial internal funding and partial upliftment from the existing debt servicing reserve account maintained with the Lender; and
- (2) PDD is allowed to defer instalment payments on its principal amount due in July to December 2020 to the Lender by six months (the "**Grace Period**") (totalling approximately RM 23.6 million).

Interest payments during the Grace Period shall continue to be paid by PDD. As an update, PDD has paid in full the principal for June 2020.

5. In terms of the financial impact of the initiation of the KNK Bankruptcy, there is no recourse of liability from KNK and its related entities directly and indirectly holding KNK (the "**P12 Entities**") to the Group, as the Group has not provided any corporate guarantees for the P12 Entities. On the Group level accounts, the Group will impair, (i) the amount due from the P12 Entities (comprising of loan and interest) of approximately S\$23.09 million, and (ii) the Group's investment in the P12 Entities of approximately S\$2,000. This impairment will be done in the current financial period.
6. Notwithstanding the abovementioned impairments and the KNK Bankruptcy, the Board's assessment of the going concern of the Group remains unchanged from that as stated in the 3QFY2020 Announcement.

The Company will update shareholders on the progress of this matter at the appropriate time. In the meantime, 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

Ying Wei Hsein
Executive Chairman
23 June 2020

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.