

PACIFIC STAR DEVELOPMENT LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 198203779D)

PROPOSED DISPOSAL OF: (I) 100% SHAREHOLDING IN THE ISSUED AND PAID-UP SHARE CAPITAL OF DURABEAU INDUSTRIES PTE. LTD.; AND (II) 100% SHAREHOLDING IN THE ISSUED AND PAID-UP SHARE CAPITAL OF LH ALUMINIUM INDUSTRIES PTE. LTD.

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Pacific Star Development Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that it has today entered into a sale and purchase agreement (the “**SPA**”) with Mr Tu Li Ming and Mr Shen Yimin (the “**Purchasers**” and each, a “**Purchaser**”) for the proposed disposal (the “**Proposed Disposal**”) of: (i) 6,950,000 ordinary shares in the issued and paid-up share capital of Durabeau Industries Pte Ltd (“**DIPL**”) representing 100% of the issued and paid-up share capital of DIPL; and (ii) 21,850,000 ordinary shares in the issued and paid-up share capital of LH Aluminium Industries Pte. Ltd. (“**LHPL**”) representing 100% of the issued and paid-up share capital of LHPL (collectively, the “**Sale Shares**”) for an aggregate consideration of S\$2.00 (the “**Consideration**”).
- 1.2 Upon completion of the Proposed Disposal (the “**Completion**”), the Company will cease to have any interest in each of DIPL and LHPL and accordingly, DIPL and LHPL will cease to be subsidiaries of the Company.
- 1.3 This announcement is also made pursuant to Rule 704(17)(c) of the rules in Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Catalist Rules**”).

2. BACKGROUND INFORMATION ON DIPL, LHPL, PURCHASERS AND RATIONALE FOR THE PROPOSED DISPOSAL

- 2.1 DIPL and LHPL are wholly-owned subsidiaries of the Company and form the aluminium business division of the Group (the “**Aluminium Division**”). DIPL and LHPL are primarily contractors for various property development projects in Singapore to, amongst others, design, fabricate and install aluminium products such as window grilles, and doors.
- 2.2 The Purchasers are business owners who engage in construction work in Singapore.
- 2.3 The reasons for the Proposed Disposal include, amongst others, the following:
- (a) the Aluminium Division accounts for a relatively small and insignificant proportion of the overall revenue of the Group;
 - (b) the Aluminium Division has been facing strong industry competition and faces challenges in achieving profitability in the long run; and
 - (c) the Group is of the view that its focus should be on property development and the Proposed Disposal will free up resources and management time and attention to further support the Group’s property development business.
- 2.4 None of the Directors, controlling shareholders of the Company and/or their respective

associates are related to any of the Purchasers.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 Consideration

3.1.1 The Consideration was arrived at after arm's length negotiations between the Company and the Purchasers, on a willing-buyer willing-seller basis, and taking into account the following:

- (a) the net asset value of DIPL and LHPL;
- (b) the inter-company loans and obligations between the Company, PSD Singapore ("**PSDS**", a wholly-owned subsidiary of the Company), DIPL and LHPL; and
- (c) the future capital requirements to fund the operations of DIPL and LHPL to carry out their current and future construction contracts.

3.1.2 The Consideration will be satisfied by payment in cash by the Purchasers to the Company on Completion.

3.2 Salient Terms

3.2.1 The Proposed Disposal includes, amongst others, the following salient terms:

- (a) the Company and the Purchasers have agreed that all inter-company debts and liabilities as between DIPL and LHPL, and the Company and PSDS, shall be completely waived as at Completion (the "**Waiver of Intercompany Loans**"). As at 31 March 2019, the net amount due from the Company to DIPL and LHPL is approximately S\$0.66 million;
- (b) the Purchasers shall fully redeem certain banking facilities of DIPL and procure the discharge of a corporate guarantee provided by the Company in respect of such banking facilities (the "**Corporate Guarantee**") prior to Completion, or in lieu of the full redemption of the abovementioned banking facilities, the Purchasers shall procure the relevant bank to release the Company's Corporate Guarantee and provide such other security as required by the relevant bank to replace the Corporate Guarantee;
- (c) all existing employees of DIPL and LHPL shall remain in the employment of DIPL and LHPL, and such employees may be re-designated by the Purchasers subsequent to Completion;
- (d) the current contracts of DIPL shall remain in force and shall not be terminated; and
- (e) the Purchasers shall procure DIPL to discharge certain banker guarantees previously provided by the Company for past DIPL projects as soon as practicable.

3.3 Conditions

3.3.1 The Proposed Disposal is conditional upon, amongst others, the following conditions being fulfilled (the "**Conditions**"):

- (a) the relevant board resolutions approving the Proposed Disposal being obtained;

- (b) the execution of the relevant documents for the Waiver of Intercompany Loans; and
- (c) the obtaining of documentary evidence that the Corporate Guarantee has been released.

4. VALUE ATTRIBUTABLE TO THE SALE SHARES, LOSS ON PROPOSED DISPOSAL AND USE OF PROCEEDS

- 4.1 Based on the Group’s unaudited consolidated financial statements for the period ended 31 December 2018, the book value and the net tangible asset value of the Sale Shares is approximately S\$0.05 million. Based on the Group’s latest audited consolidated financial statements for the financial year from 1 January 2017 to 30 June 2018 (“**FY2018**”), the estimated loss on the proposed disposal is approximately S\$0.97 million.
- 4.2 The open market value of the Sale Shares is not available as the Sale Shares are not publicly traded. No independent valuation of the Sale Shares was commissioned.
- 4.3 As the Consideration is an amount of S\$2.00, it is not meaningful to disclose the intended use of such proceeds after deducting estimated fees and expenses to be incurred in connection with the Proposed Disposal.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

- 5.1 Based on the latest announced unaudited financial statements of the Group for the half-year ended 31 December 2018 (“**1H2019**”), and the unaudited management accounts of the Aluminium Division for 1H2019, the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules are as follows.

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	0.14% ⁽¹⁾
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	(27.3%) ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	1.6% ⁽³⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable. There are no equity securities issued for the Proposed Disposal.
(e)	The aggregate volume or amount of proved and	Not applicable. The Company is

Rule 1006	Bases	Relative Figures
	probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	not a mineral, oil and gas company.

Notes:

- (1) Computed based on the unaudited net asset value of the Group as at 31 December 2018 of S\$37.1 million, and the aggregate unaudited net asset value of DIPL and LHPL as at 31 December 2018 of approximately S\$0.05 million, after taking into account the Waiver of Intercompany Loans.
- (2) Computed based on net loss before tax attributable to DIPL and LHPL of S\$0.75 million for 1H2019, and the Group's net loss before tax of S\$2.75 million.
- (3) For illustrative purpose, in determining the aggregative value of consideration for Rule 1006(c) of the Catalist Rules, the Company has aggregated the Consideration and the Waiver of Intercompany Loans (being a net amount due from the Company to DIPL and LHPL of approximately S\$0.66 million as at 31 March 2019). The market capitalisation of the Company is approximately S\$40.17 million, being 499,660,878 ordinary shares of the Company in issue (excluding treasury shares) multiplied by the volume weighted average price of the Shares on Catalist of S\$0.0804 on 22 April 2019, being the last market day preceding the date of the SPA).

5.2 Having regard to the above, as the relative figures computed on Rule 1006(a) to (c) of the Catalist Rules exceed 5%, but do not exceed 50%, the Proposed Disposal constitutes a "Discloseable Transaction" for the purposes of Chapter 10 of the Catalist Rules.

6. FINANCIAL IMPACT OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal on the Group as set out below are purely for illustrative purposes only. The illustrative financial effects should not be construed to mean that the Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects.

The financial effects of the Proposed Disposal on the Group as set out below are based on the Group's latest audited financial statements for FY2018 and the following assumptions: (i) the Proposed Disposal had been effected at the end of FY2018 for the computation of the effect on the net tangible assets ("**NTA**") per share; (ii) the Proposed Disposal had been effected at the beginning of FY2018 for the computation of the effect on the earnings per share ("**EPS**"), taking into account the Waiver of Intercompany Loans; (iii) no adjustments have been made to align any differences that may result from the adoption of different accounting standards and policies by the Group; and (iv) expenses in connection with the Proposed Disposal, including but not limited to professional fees, have been disregarded for the purposes of calculating the financial effects.

For the avoidance of doubt, the pro forma financial effects set out below do not take into account (i) any corporate actions announced and undertaken by the Group subsequent to 30 June 2018, and (ii) any issuance of new shares in the capital of the Company subsequent to 30 June 2018.

NTA

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to equity holders of the Company (S\$'000)	22,711	21,743
Number of shares in issue excluding treasury shares	499,660,878	499,660,878
NTA per share (Singapore cents)	4.55	4.35

EPS

	Before the Proposed Disposal	After the Proposed Disposal
Profit attributable to equity holders of the Company (S\$'000)	11,414	11,193
Number of shares in issue excluding treasury shares	499,660,878	499,660,878
EPS (Singapore cents)	2.28	2.24

7. SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person in relation to the Proposed Disposal.

8. DISCLOSURE OF DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS

None of the Directors and/or the controlling shareholders of the Company have any interests, direct or indirect, in the Proposed Disposal, save for their interests by virtue of their shareholdings and/or directorships, as the case may be, in the Company and the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA is available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the business office of the Company at 2 Venture Drive, #19-15 Vision Exchange, Singapore 608526, for a period of three (3) months from the date of this announcement.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements if and when there are material developments in respect of the Proposed Disposal.

ON BEHALF OF THE BOARD

Glen Chan
CEO and Managing Director
23 April 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by 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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