

# PACIFIC STAR DEVELOPMENT LIMITED

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

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## 1. UPDATE OF BANKRUPTCY PROCEEDINGS AGAINST KANOKKORN PATTANA CO., LTD. 2. SALE OF SHARES IN KANOKKORN PATTANA CO., LTD.

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*Unless otherwise defined here, capitalised terms used in this announcement shall have the meanings ascribed to them in the Company's announcement dated 23 June 2020 titled "Initiation of Bankruptcy Proceedings Against Kanokkorn Pattana Co., Ltd" (the "**Petition Announcement**").*

### 1. INTRODUCTION

- 1.1. The Board of Directors (the "**Board**" or "**Directors**") of Pacific Star Development Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Petition Announcement and wishes to announce that on 16 September 2020 (the "**Effective Date**"), the Company's joint venture, Minaret Holdings Limited ("**Minaret**") has entered into a legally binding share sale and purchase agreement (the "**SPA**") with Mr Witawat Thaweesuwan (the "**Purchaser**") to (i) dispose Minaret's shareholding (together with that of Minaret's fellow shareholders who hold shares directly and indirectly) in the entirety of the share capital of Kanokkorn Pattana Co., Ltd. ("**KNK**") (the "**Sale Shares**"), and (ii) assign Minaret's entire shareholders' loans (including interest) (the "**Shareholders' Loans**") to the Purchaser for an aggregate consideration of THB 900 million (the "**Transaction**"). The consideration of THB 900 million is approximately S\$39.33 million based on an exchange rate of S\$1 : THB 22.88 as at the date of the SPA (the "**Consideration**").
- 1.2. The Consideration for the purchase of the Sale Shares shall be THB 300 million with the remaining THB 600 million being consideration for the assignment of the Shareholders' Loans. The Consideration does not include any deductions and/or adjustments whatsoever including but not limited to any present and future liabilities of KNK.
- 1.3. The Group's share of the Consideration is approximately S\$24.01 million and is subject to final agreement with its joint venture partner in Minaret, Tiwanon Development Ltd ("**Tiwanon**"). The aforementioned amount is prior to commissions and expenses to be paid in respect of the Transaction.
- 1.4. The Purchaser is a Thai citizen who is involved in the local Thai construction industry and will be entering into the Transaction in his personal capacity. Following the completion of the Transaction, the Group will no longer hold any shareholding interest in KNK.
- 1.5. This announcement is made pursuant to Rule 1014 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").
- 1.6. Minaret had entered into commission agreements with several agent-brokers in connection with the Transaction. One of these agent-brokers is Mr Glen Chan ("**Mr Chan**") who was previously a controlling shareholder and director of the Company. Pursuant to the commission agreements, each of these agent-brokers is entitled to a commission based on the Consideration if Minaret receives payment from the Purchaser. On these bases, Mr Chan is entitled to commission of 5.0% of the Consideration. Pursuant to an existing bankruptcy order against Mr Chan, a trustee has been appointed over his bankrupt estate and the shares previously held indirectly by Mr Chan are now controlled by the trustee. Accordingly, Mr Chan is no longer a controlling shareholder of the Company and his role as an agent-broker in this Transaction is not an interested person transaction.

## 2. INFORMATION ON MINARET AND KNK

- 2.1. The Group's effective interest of 50.48% in KNK is held through Minaret, as well as other intermediary companies known as Kanyakorn Pattana Co., Ltd. and Pacific Star Development (Thailand) Co., Ltd.. Minaret is a joint venture between PSD Singapore Pte Ltd ("**PSDS**"), a wholly-owned subsidiary of the Company, and Tiwanon. As Minaret is subject to joint control with Tiwanon under contractual agreement and unanimous consent is required from both PSDS and Tiwanon for all major decisions over Minaret's relevant activities, it is treated as a joint venture instead of a subsidiary. Please see the Appendix for the Group's current corporate structure.
- 2.2. 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**"). At present, the share capital of KNK consists of 3 million shares with a total registered and paid-up capital of THB 300 million.
- 2.3. As announced in the Petition Announcement, Minaret has initiated bankruptcy proceedings against KNK and the first hearing was conducted on 8 September 2020. On 8 September 2020, Minaret had applied to the Thai Bankruptcy Court to defer the hearing and the hearing of Minaret's bankruptcy application against KNK has been deferred to 15 December 2020.

## 3. RATIONALE FOR THE TRANSACTION

- 3.1. We refer to paragraph 3 of the Petition Announcement on the Company's considerations to initiate the bankruptcy proceedings (the "**KNK Bankruptcy**") (the "**Rationale for KNK Bankruptcy**"):

- (i) 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;*
- (ii) 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;*
- (iii) 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*
- (iv) The Group's going concern issues as highlighted in the 3QFY2020 announcement."*

The Rationale for KNK Bankruptcy continue to remain valid at this point in time, and are applicable in the context of the Transaction.

- 3.2. The Group wishes to carry out the Transaction for the following reasons:
  - (i) The Transaction is currently the only available alternative as compared to the KNK Bankruptcy. It is a better alternative compared to the KNK Bankruptcy because it may allow a higher rate of and quicker recovery of the Group's total investments (including loans) thus far into KNK and the P12. If the Group proceeds with the KNK Bankruptcy, it may involve a potentially protracted process with an unknown quantum and timeline for recovery. There is also a possibility that the Group may achieve zero recovery pursuant to the KNK Bankruptcy;

- (ii) The Company is of the view that the Transaction will be in the interests of KNK's creditors and buyers of P12 units (the "**Unit Buyers**"). In this regard, there may be a better recovery for KNK's creditors as well as a better likelihood of Unit Buyers who have not terminated their purchase agreements being able to obtain their units (assuming that the Purchaser completes the construction of P12);
- (iii) Assuming the Transaction is completed, a portion of the net proceeds (such quantum to be agreed with the Lenders as defined below) would be applied to the repayment of the Group's existing loans with a group of lenders who had provided the Group with a S\$70 million loan (the "**Lenders**"). Depending on the quantum of repayment to be made to the Lenders, a reduction in interest expense is expected and this will improve the Group's financial performance; and
- (iv) Assuming the Transaction is completed, subject to the agreement with the Lenders, a portion of the net proceeds may be used for the Group's working capital. This will strengthen the Group's going concern assumption (to be assessed by the Board prior to the issuance of the annual report for the financial year ended 30 June 2020 ("**FY2020**")).

#### **4. CONSIDERATION**

- 4.1. The Consideration was arrived at arm's length and willing-buyer and willing-seller bases pursuant to negotiations between Minaret and the Purchaser. In arriving at these bases, the Group has taken into account the partially-constructed P12 status, the ongoing bankruptcy proceedings against KNK, the stoppage of work by CRCC, the Group and Tiwanon not being in a position to inject further funds into KNK and P12, and the potential litigation from KNK's creditors and Unit Buyers. The Board is of the view that the Transaction, if completed, is in the interest of the Company and shareholders of the Company (the "**Shareholders**") due to reasons as explained in paragraph 3.2 above.
- 4.2. The Purchaser will pay the Consideration in the manner as set out in Paragraph 5 below.

#### **5. MATERIAL TERMS AND CONDITIONS TO THE TRANSACTION**

- 5.1. Pursuant to the SPA, the payment of the Consideration shall be split into two components, namely a deposit of THB 500 million (the "**Non-Refundable Deposit**") and the remainder payment of THB 400 million (the "**Remainder Payment**").
- 5.2. The Non-Refundable Deposit shall be paid in the following manner:
  - (i) THB 150 million shall be paid within 90 days from the date of the SPA (the "**First Deposit**");
  - (ii) THB 150 million shall be paid within 180 days from the date of the SPA; and
  - (iii) THB 200 million shall be paid within 270 days from the date of the SPA.
- 5.3. The Purchaser has furnished 3 post-dated cheques (dated on the 90<sup>th</sup>, 180<sup>th</sup>, and 270<sup>th</sup> day from the Effective Date) corresponding to the scheduled date of repayment as stated above for the payment of the Non-Refundable Deposit to Minaret. In the event the Purchaser defaults in making any of the payments of the Non-Refundable Deposit specified above, Minaret has the right to bank in these cheques.
- 5.4. On the Effective Date, Minaret will procure KNK to appoint the Purchaser as a director of KNK. In such capacity as a director of KNK, the Purchaser will negotiate with the creditors of KNK. The Purchaser shall not commit with any third parties in any transactions related to KNK's business and operations unless he has obtained written approval from both the boards of directors of Minaret and of KNK. This requirement subsists until the Non-Refundable Deposit is paid in full.

- 5.5. During first 90 days after the Effective Date, if the Purchaser encounters any problems due to the fact that Minaret does not provide complete information to the Purchaser, the Purchaser has the right to negotiate a delay of the payment of the First Deposit for a period of up to 21 days without causing a breach of any clauses in the SPA or to terminate the SPA. After the first 90-day period, if the Purchaser agrees to continue with the Transaction, the Purchaser agrees to waive his right to terminate the SPA. The Purchaser and Minaret have agreed that in any circumstances the Consideration shall not be changed as the Purchaser will purchase the Sale Shares in an “as is” condition.
- 5.6. The Remainder Payment shall be paid in the following manner:
- (i) THB 100 million shall be paid at the end of 15 months from the date of the SPA;
  - (ii) THB 100 million shall be paid at the end of 18 months from the date of the SPA;
  - (iii) THB 100 million shall be paid at the end of 21 months from the date of the SPA; and
  - (iv) THB 100 million shall be paid at the end of 24 months from the date of the SPA.
- 5.7. If the Purchaser defaults on the above agreed payment schedule for the Non-Refundable Deposit and/or the Remainder Payment, Minaret shall be entitled to terminate the SPA and to claim against the Purchaser for costs and/or damages arising suffered by Minaret for such breach of obligation. In such a situation, any and all amounts paid by the Purchaser to Minaret shall be forfeited in Minaret’s favour.
- 5.8. The assignment of the Shareholders’ Loans shall be subject to the Purchaser making full payment of the Consideration. No portion of the Shareholders’ Loans shall be regarded as being repaid, transferred or assigned until and unless full payment of the Consideration has been made.
- 5.9. The approval of the Shareholders, if required pursuant to the relevant provisions of the Catalyst Rules, is a condition precedent to the Transaction. The Group shall work to satisfy this condition precedent, if required, prior to the due date for the payment of the First Deposit as described in Paragraph 5.2(i) above.

## **6. VALUE OF KNK AND USE OF PROCEEDS**

- 6.1. As at the announcement date, KNK has not recognised any sales as the applicable accounting standards in Thailand only allow sales to be recognised upon the completion of P12. Based on KNK’s unaudited financial statements as at 30 June 2020, the net liability value of KNK is approximately S\$2.43 million.
- 6.2. As announced in the Company’s unaudited results announcement for FY2020 dated 29 August 2020, the value of the Group’s interest in KNK as at 30 June 2020 is zero as the Group’s share of total accumulated losses of KNK has already exceeded its costs of investment (including loans) in KNK.
- 6.3. Subject to the final agreement with Tiwanon, the joint venture partner of Minaret, the Group expects the Group’s share of Consideration, net of commission and expenses, to represent an excess of approximately S\$19.35 million over the Group’s share of book value of KNK.
- 6.4. Subject to the agreement of the Lenders, the Group intends to use the net proceeds from the Transaction to repay a portion of the existing S\$70 million loan facility of the Group (as announced on 24 December 2018) and for the working capital purposes of the Group. Details of the use of the net proceeds will be determined by the Group and the Lenders at the appropriate time.

## 7. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

### 7.1. General

Chapter 10 of the Catalist Rules governs the continuing listing obligations of a company listed on the Catalist in respect of acquisitions and realisations. Under Rule 1014 of the Catalist Rules, a transaction will be classified as a “major transaction” if any of the relative figures calculated on the bases set out in Rule 1006 of the Catalist Rules exceeds 50% in the context of a disposal.

### 7.2. Relative Figures under Rule 1006 of the Catalist Rules

The relative figures set out below is computed on the applicable bases set out in Rule 1006 of the Catalist Rules in respect of the Transaction and based on the latest announced unaudited financial statements of the Group for FY2020.

	<b>Catalist Rule 1006</b>	<b>Relative figures</b>
1.	Rule 1006(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.	(3.7)% <sup>(1)</sup>
2.	Rule 1006(b) – The net profits attributable to the assets acquired or disposed of, compared with Group’s net profits <sup>(2)</sup> .	(9.8)% <sup>(2)</sup>
3.	Rule 1006(c) – The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares.	111.8% The Group’s share of the Consideration comprises approximately 112% of the Company’s current market capitalisation of approximately S\$21.49 million <sup>(3)</sup> .
4.	Rule 1006(d) – The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	NA Not applicable as no equity securities will be issued by the Company for the Transaction.
5.	Rule 1006(e) – The aggregate volume or amount of proved and 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.	NA Not applicable as the Transaction is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

#### Notes:

- (1) For the purpose of determining the relative figure under Rule 1006(a) of the Catalist Rules, the net liability value of KNK and the Group as at 30 June 2020 is approximately S\$2.43 million and approximately S\$33.15 million respectively. The relative figure is computed based on the Group’s effective interest of 50.48% in KNK.
- (2) Under Rule 1002(3)(b) of the Catalist Rules, “net profits” means profit or loss before income tax, minority interests and extraordinary items. The relative figure is computed based on KNK’s attributable net losses before income tax and non-controlling interests of approximately S\$8.17 million for FY2020, and the Group’s net losses before income tax and non-controlling interests of approximately S\$42.26 million for FY2020. The

relative figure is computed based on the Group's effective interest of 50.48% in KNK.

- (3) The Group's share of Consideration (before commission and expenses) is approximately S\$24.01 million.

Under Rule 1002(5) of the Catalist Rules, "market capitalisation" of the issuer is determined by multiplying the number of shares in issue by the volume weighted average price of such shares transacted on the Company's last active market day. The market capitalisation of the Company is approximately S\$21.49 million (determined by multiplying the number of shares in issue (excluding treasury shares) by S\$0.043, being the volume weighted average price of the Company's shares transacted on 18 March 2020, being the last full market day on which the Company's shares were traded prior to the suspension of the trading of the Company's shares on 19 March 2020).

The relative figures under Rules 1006(a) and 1006(b) of the Catalist Rules are negative, which may not give a meaningful indication of the significance of the Transaction to the Company. The Group is expected to incur a profit on disposal of approximately S\$19.35 million. Accordingly, the Transaction falls under the scenarios provided for in paragraphs 4.4(e) and 4.4(c) of Practice Note 10A of the Catalist Rules respectively.

Notwithstanding the above, the relative figure (the Company's market capitalisation vis-a-vis the Group's share of the Consideration (before commission and expenses)) computed under Rule 1006(c) of the Catalist Rules exceeds 50%, the Transaction could constitute a major transaction under Rule 1014 of the Catalist Rules. The Company is of the view that the Transaction should be classified as an ordinary course of business as the Transaction is within the Group's business as a real estate developer, which involves investment, construction and divestment of real estate projects. Hence, the Group's risk profile remains unchanged. However, the Company is seeking advice on whether the Company is required to convene an extraordinary general meeting to seek the approval of the Shareholders for the Transaction. If required, a circular to the Shareholders containing information on the Transaction will be despatched to Shareholders in due course.

## 8. FINANCIAL EFFECTS

The financial effects set out below are purely for illustrative purposes only and do not reflect the actual full financial position of the Company or the Group after effecting the Transaction. These have been prepared based on the unaudited financial statements of the Group for FY2020, with 30 June 2020 being the end of the most recently completed financial year as at the date of this announcement.

### (a) Net tangible assets ("NTA") per share

Had the Transaction been effected on 30 June 2020, it would have had the following financial effects on the Group's Net Tangible Liabilities ("NTL") per share as at 30 June 2020:

	Before Transaction	After Transaction
<b>NTL attributable to owners of the Company (S\$'000)</b>	(33,146)	(13,800) <sup>(1)</sup>
<b>Number of Shares (excluding treasury shares)</b>	499,660,878	499,660,878
<b>NTL per share (Singapore cents)</b>	(6.63)	(2.76)

**(b) Earnings per share (“EPS”)**

Had the Transaction been effected on 1 July 2019, the Transaction would have had the following financial effects on the Group’s EPS for FY2020:

	<b>Before Transaction</b>	<b>After Transaction</b>
<b>Group loss after tax (S\$’000)</b>	(42,292)	(22,533) <sup>(2)</sup>
<b>Weighted average number of shares (excluding treasury shares)</b>	499,660,878	499,660,878
<b>EPS (Singapore cents)</b>	(8.46)	(4.51)

Note (1): After adding the Group’s share of Consideration of approximately S\$24.01 million (subjected to final agreement with Tiwanon, the joint venture partner of Minaret), deducting of the Group’s share of the costs of transaction (commission and expenses) of approximately S\$4.67 million. The total commissions arising from the Transaction (to be borne by the Group and Tiwanon) is approximately S\$9.07 million.

(2) After adding the Group’s share of Consideration of approximately S\$24.01 million (subjected to final agreement with Tiwanon, the joint venture partner of Minaret), deducting of the Group’s share of the costs of transaction (commission and expenses) of approximately S\$4.67 million, less the carrying value of the Group’s investment (including loans) in KNK as at 1 July 2019 of approximately S\$16.73 million and assuming the Transaction was consummated on 1 July 2019, the effects of reduction in the Group’s loss after tax which amounted to approximately S\$17.14 million.

**9. SHAREHOLDERS’ APPROVAL**

The Company is seeking advice on whether it is required to convene an extraordinary general meeting to seek the approval of the Shareholders for the Transaction. If required, a circular to the Shareholders containing information on the Transaction will be despatched to Shareholders in due course.

**10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

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

**11. SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the SPA and the unaudited consolidated financial statements of the Group for FY2020 are available for inspection by the Shareholders during normal business hours at the registered office of the Company at Vision Exchange, 2 Venture Drive #19-15, Singapore 608526, for a period of three (3) months from the date of this announcement.

## **13. CAUTIONARY STATEMENT**

The Board wishes to advise shareholders and investors to exercise caution when dealing in the shares of the Company and to refrain from taking any action in relation to such shares which may be prejudicial to their interests. It should be noted that there is no assurance that the Transaction would be completed even after the signing of the SPA. Persons who are in doubt as to the action they should take should consult that stock brokers, bank managers, solicitors, accountants, tax advisers or other professional advisers immediately.

## **ON BEHALF OF THE BOARD**

Ying Wei Hsein  
Executive Chairman  
17 September 2020

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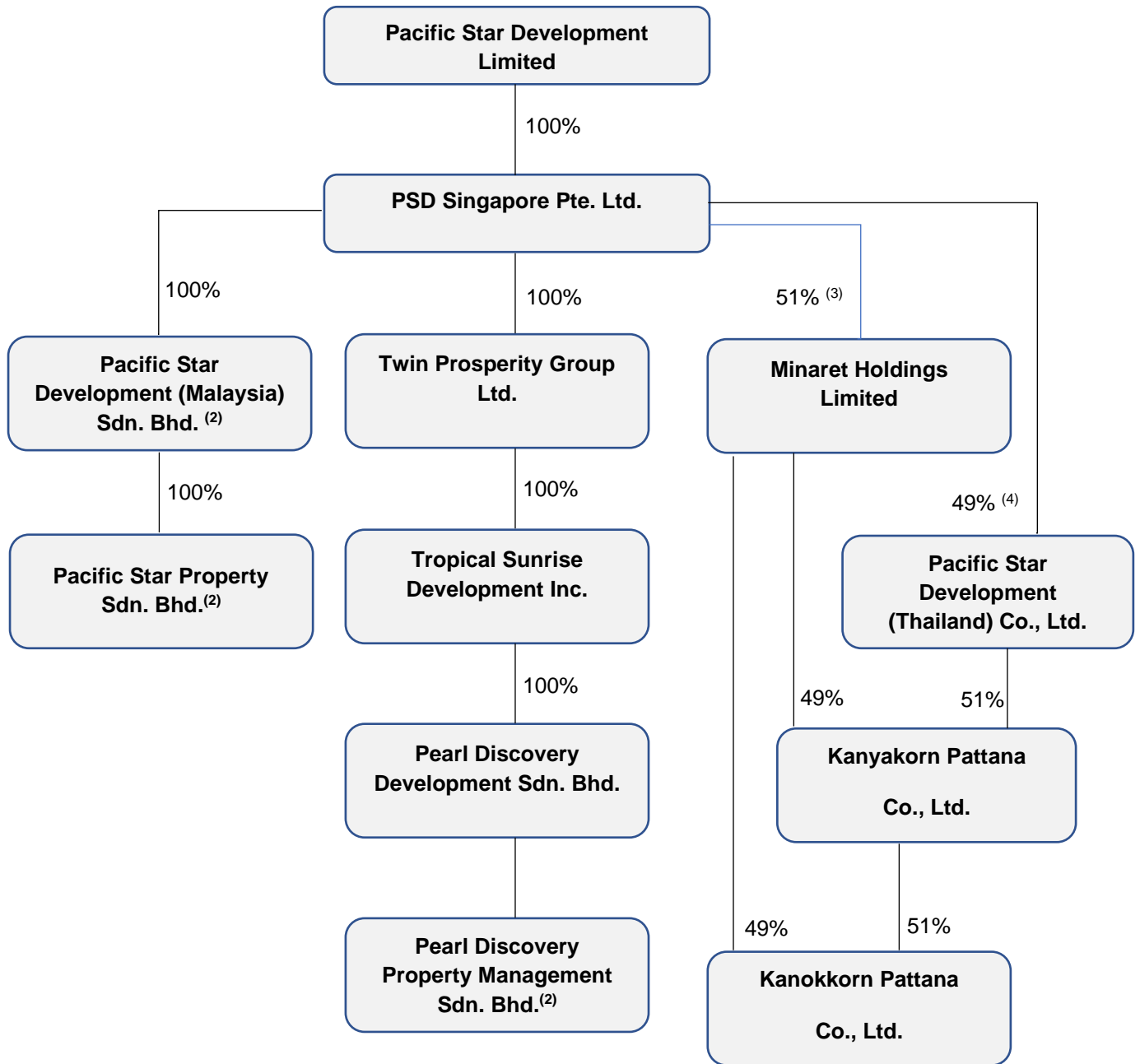
This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

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.



Appendix - Current Corporate Group Structure <sup>(1)</sup>



**Notes**

1. The Group's previously-held Aluminium Division comprising LH Aluminium Industries Pte. Ltd. and Durabeau Industries Pte Ltd are currently undergoing liquidation. Hence these entities are excluded from the above.
2. Pacific Star Development (Malaysia) Sdn. Bhd., Pacific Star Property Sdn. Bhd. and Pearl Discovery Property Management Sdn. Bhd. are in the process of going through a striking off in Malaysia.
3. The other 49% in Minaret Holdings Limited is held by a joint venture partner, Tiwanon.
4. The other 51% in Pacific Star Development (Thailand) Co., Ltd. is held by local Thai shareholders.