

Issuer: Pollux Properties Ltd.

Security: Pollux Properties Ltd.

Meeting details:

Date: 27 July 2017

Time: 2.00 p.m.

Venue: Meeting Suite 801, Level 8 Main Tower, Mandarin Orchard Singapore, 333 Orchard Road Singapore 238867

Company Description

Pollux Properties Ltd., an investment holding company, operates as a property developer in Singapore. The company operates through Property Development and Property Investment segments. The Property Development segment acquires and develops residential and commercial properties for sale. The Property Investment segment rents properties, as well as operates serviced apartments. The company was formerly known as Shining Corporation Ltd. and changed its name to Pollux Properties Ltd. in June 2010. Pollux Properties Ltd. was incorporated in 1999 and is based in Singapore. Pollux Properties Ltd. is a subsidiary of Pollux Holdings Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5AE)

Q1. The group has completed and obtained Temporary Occupation Permit for its development projects namely Park Residences Kovan, Berkeley Residences, Metro Loft and Garden Park Residences. In addition, Pavilion Square and Mayfair Residences are expected to be completed by the second quarter of FY2017.

- a) **To help shareholders get a better understanding of the group’s achievements and activities, would management consider adding a comprehensive summary of the group’s projects (both on-going and recently completed projects) with details such as project name, location, tenure, number of unit, gross floor area, percentage of completion, targeted completion date and sales in the annual report?**
- b) **Given that the group will complete the projects on hand in the current financial year, what is the strategic direction of the group for the property development division (taking into account the current market conditions)?**

Q2. In Note 34 (page 93 – Segment information), the property investment segment (which includes the renting of properties and operating of serviced apartment) saw its segment loss widen to \$(1.9) million in 2017. The segment profit/(loss) for the property investment segment is shown in the table below.

	Revenue from customers \$	Segment profit/(loss) \$
2017	5,358,490	(1,898,590)
2016	5,375,986	(1,412,274)
2015	936,171	(2,202,351)
2014	329,672	(354,967)

(Source: Company annual reports)

The Louis Kienne Serviced Residences accounts for the bulk of the investment in the segment. Louis Kienne Serviced Residences (which comprises 96 units of one, two and three-bedroom serviced apartments) commenced operations in December 2014. While revenue from the property investment segment increased impressively to \$5.4 million for 2016 and 2017, the segment continues to report losses. The occupancy rate of the serviced apartment was almost 80% in 2017 and 81% in 2016.

- a) **What are management’s plans to improve the occupancy of the serviced apartment? Has management estimated the average occupancy (given the current rates) that will allow the serviced apartment to achieve breakeven?**
- b) **What are the marketing and promotion efforts for the serviced apartment?**
- c) **With just one serviced apartment, how cost-efficient can the operations be?**

In Note 13 (page 77 – Investment properties), it is shown that the balance lease for the serviced apartment is 18 years and the estimated fair value of the apartment block is \$48,000,000.

- d) **With a short lease balance of 18 years and the continued losses, has the board considered a strategic review for the asset?**

Q3. The company has a 50.01% interest in Stirling Fort Capital Pte Ltd (Stirling) which is accounted for as an associate. The investment was made in September 2015 at a total consideration of \$847,000. The principal activities of the associate are fund management and providing investment advisory services approved by Monetary Authority of Singapore (“MAS”).

The impairment assessment of investment in Stirling Fort Capital Pte Ltd is also a key audit matter in the Independent Auditor’s Report (page 45).

- a) In Note 16 (page 80 – Investment in an associate), it was disclosed that the group has engaged Collier International (Hong Kong) Limited (“Collier”) to perform the purchase price allocation. **Given that Stirling is a fund management company regulated by the MAS and is based in Singapore, can the group help shareholders understand why a foreign valuer was used instead of a local valuer?**
- b) **Can the board clarify why Stirling is accounted for as an associate despite the group’s 50.01% interest?**
- c) **How much oversight or influence does the group have in Stirling?**