



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Pacific Star Development Limited

**Security:** Pacific Star Development Limited

**Meeting details:**

Date: 30 October 2018

Time: 10.00 a.m.

Venue: Tan Chin Tuan Function Room 1, Level 4, YMCA of Singapore, 1 Orchard Road, Singapore 238824

**Company Description**

Pacific Star Development Limited is a real estate investment firm. The firm is an ASEAN real estate developer specializing in investment, management, and development of properties. It holds a portfolio of residential and mixed-use developments in Malaysia and Thailand. Pacific Star Development Limited was founded in 2001 and is headquartered in Singapore with additional offices in Bangkok, Thailand and Kuala Lumpur, Malaysia.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=1C5](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1C5))

1. As stated in the profile, the group is an “*ASEAN property developer with a track record in the development and investment of prime integrated mixed-use and residential developments in key gateway cities across ASEAN*”.

The group’s current projects are the Puteri Cove Residences and Quayside in Iskandar Puteri, Malaysia and The Posh Twelve in Bangkok, Thailand. An MOU has been signed with a local partner to jointly develop a mixed-use high-rise development on prime sea-front land in Jakarta.

In relation to the group’s growth plans, the chairman had mentioned at a high level that the group “*will consciously evaluate new property development opportunities.... target business prospects that offer synergistic benefits and growth potential... to harness these new opportunities within ASEAN’s property market. (page 4)*”

As a newly listed developer, could the board/management provide shareholders with more specific details and better clarity of the group’s value proposition and its strategic direction?

- (i) Please explain in greater detail how it is able to source for new development projects across ASEAN as each market has its unique dynamics, and ASEAN being so diverse in consumer preferences, trends, opportunities and development challenges.**
- (ii) What are the key cities that have been earmarked? Is there a systematic approach to its development pipeline?** Shareholders have no visibility where the next project will be.
- (iii) What is the group’s value proposition that would allow it to compete and win against the incumbents/local developers?**
- (iv) What are the group’s criteria with regard to site selection (including the size of the development)?**

2. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) Puteri Cove Residences and Quayside: Having attained the Certificate of Completion and Compliance for Phase 1, can management update shareholders on the sales progress of the project? How many units of the two residential towers and 4 SOHO blocks remain unsold? When will the retail centre and the marina be operational? Has the recent uncertainty over foreign ownership led to a jump in settlement default rate?**
- (ii) The Posh: The first “international phase” of the project successfully was fully sold, with 450 units sold to foreign buyers. Is the group launching a “local phase”? Are there any limits on the percentage of foreign ownership in a single project, according to local regulation? Can the company disclose the**

**sales and development timeline for the 1,373 apartment project?** There are over 900 units that have yet to be launched or sold.

- (iii) **DAMAC International:** The 5-year partnership with DAMAC to develop luxury properties in key cities across Southeast Asia was announced on 31 October 2017. Malaysia and Thailand were identified as the key markets. Both developers will collaborate on identifying prime locations in key gateway cities, where the partners will develop new residential, hospitality and retail projects. **Can management update shareholders on the progress made with DAMAC as one year has lapsed without any development? What is the group's contribution (in terms of management resources, capital or development opportunities) in this partnership? Does the DAMAC partnership preclude any local collaboration or joint venture the group can have in Malaysia and Thailand?**
- (iv) **Crowdvilla:** Similarly, what progress has been made with Crowdvilla following the signing of the MOU in May 2018? What resources does the group have to allow it to perform as the asset manager of *"a sizeable property portfolio of holiday accommodation globally"*? Given the size of the management team, would this tie-up require significant management time and pull the group away from its core business?

3. On 4 October 2018, the company announced that there are material variances between the unaudited results (first announced by the company on 27 August 2018) and the audited financial statements for FY2018 after the finalisation of audit.

Reasons given included:

- Reclassification of equity to liability to the vendor - \$11.5 million
- Reclassification from other payables to trade payables - \$0.77 million
- Share capital increased due to completion of RTO exercise and share issuance - \$22.5 million
- Other reserves (as a liability) due to cash consideration paid and payable and share issuance - \$34.0 million

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and the Financial Reporting Standards in Singapore (the "FRSs").

- (i) **As a newly listed company following a reverse-takeover, has the audit committee (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (ii) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the provisions of the Companies Act and the FRSs?**



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- (iii) In addition, has the board also reviewed the adequacy and effectiveness of the group's risk management framework and internal control systems, especially as the group operates all over ASEAN?**