

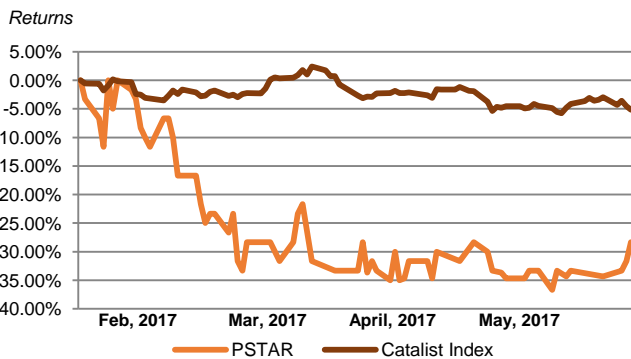
Pacific Star Development Limited

Date: 20 June 2017

Non Rated

PSTAR SP

Price: S\$0.205 (as at 15 June 2017)



Share price	1M	3M	6M	1Y
Pacific Star Dev	(2.3%)	(10.9%)	N/A	N/A
Catalist Index	0.8%	(2.4%)	14.7%	14.9%

Market capitalisation	S\$102.4 million		
Current Price	S\$0.205		
Shares outstanding	499,660,878		
Free Float	30.6%		
Major shareholders	CH Biovest 35.5% Glaxier City 21.0% Double Blessing Holdings 12.9%		
Recommendation of other brokers	N/A		

Source: Company data, Bloomberg, SAC Capital

Analyst

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The Rising Star of ASEAN

An ASEAN focused niche developer. Pacific Star Development Limited ("PSD", the "Company" or together with its subsidiaries, the "Group") has over a decade of experience in real estate investment management and development experience. The Group is a new entity that emerged from the reverse takeover of LH Group Limited this year. The Group's non-property division comprises the provision of aluminium works and curtain wall system to residential and commercial buildings in Singapore.

Two prime residential projects in key prime locations. Currently, PSD has two projects on hand, Puteri Cove Residences, and The Posh Twelve. The former is a freehold mixed-use development that is situated on a 339,817 square feet freehold waterfront land parcel in Puteri Harbour, an international master planned community that is commonly regarded as the most prestigious location in Iskandar Puteri, Malaysia. The latter is a freehold mixed-use development condominium located at Tiwanon Road, Bangkok fully furnished and well-connected.

Experienced management team. PSD's experienced management team has historically been able to tap on their strong network of relationships with leading real estate players and investors throughout ASEAN. They were able to originate deals and identify prime projects for investment and development, and to secure off-market prime land for future new pipeline projects. As a listed entity, this heritage will serve them well as they strive to expand their business operations in the ASEAN key cities.

Key Historical Financials

Year ended December (S\$'000)	FY2015A	FY2016A	FY2017E	FY2018E	FY2019E
Revenue	19,159	12,553	N/A	N/A	N/A
% Growth	N/A	(34.4%)	N/A	N/A	N/A
Gross profit	(1,387)	1,371	N/A	N/A	N/A
Gross profit margin (%)	(7.2%)	10.9%	N/A	N/A	N/A
Profit/(loss) before tax	(5,752)	(7,224)	N/A	N/A	N/A
Profit/(loss) attributable to owners	(4,567)	(5,446)	N/A	N/A	N/A
% Growth	N/A	N/A	N/A	N/A	N/A
Profit/(loss) after tax margin (%)	(30.0%)	(57.5%)	N/A	N/A	N/A
Basic EPS (S\$ cents) *	(9.66)	(12.11)	N/A	N/A	N/A
Diluted EPS (S\$ cents) *	(9.66)	(12.11)	N/A	N/A	N/A
Core P/E (x)			N/A	N/A	N/A
Net Debt/Equity		Net cash	N/A	N/A	N/A

N/A: Not applicable

FY2015 and FY2016's financials do not account for the Property division business as the reverse takeover was completed on 15 February 2017

* Based on pre-RTO share capital

Company Background

- PSD is an ASEAN-focused developer with over a decade in real estate investment management and development experience. The property division has previously invested in and completed two residential projects in key prime locations in Bangkok and another two projects in Kuala Lumpur. The Group's non-property division comprises its aluminium works and external curtain wall business in Singapore.
- Their business is divided into two main business segments:
 - (a) Property: The Property division has previously invested in and completed two residential projects in Bangkok and two projects in Kuala Lumpur. Currently, the Group has two development projects on hand, 51%-owned Puteri Cove Residences in Iskandar Puteri, Malaysia, and a 51%-owned but equity-accounted joint-venture development in Bangkok, Thailand - The Posh Twelve.
 - (b) Non-Property: Aluminium works business in Singapore with a Building and Construction Authority ("**BCA**") top grading L6 and over 30 years of solid track record.

Corporate History

- PSD (formerly known as LH Group Limited), was formed through a reverse takeover ("**RTO**") of the entire issued share capital of PSD Singapore Pte. Ltd. (formerly known as Pacific Star Development Pte. Ltd.). The RTO was completed on 15 February 2017 and the Company changed its name to Pacific Star Development Limited.

Current Projects

Currently, the Group has two projects prime development projects on hand, Puteri Cove Residences in Malaysia and The Posh Twelve in Bangkok, Thailand.

Puteri Cove Residences



Source: Company data, SAC Capital

The freehold mixed-used development is located in Iskandar Puteri, comprising 658 luxury apartments in two 32-storey tower blocks, including a separate tower of luxury serviced suites managed by Pan Pacific Hotels Group, as well as 56 SOHO/Loft units integrated with a 2-storey lifestyle retail centre with 79 retail units, all overlooking Singapore's One°15 managed private marina. It is one of the most successful projects in Iskandar Puteri with buyers from more than 28 different countries. The development is situated on a 339,817 square feet freehold waterfront land parcel in Puteri Harbour, an international master planned community that is commonly regarded as the most prestigious location in Iskandar Puteri, Malaysia.

Puteri Cove Residences emerged as a winner in several categories at the prestigious Asia Pacific Property Awards 2017/2018, sweeping a total of 7 architecture and development awards out of 5 industry categories. The achievement was all the more remarkable as it swept the most number of awards presented at the event, which received entries from some of Asia Pacific's leading developers from Singapore, Malaysia, Thailand, and Hong Kong. This recognition seals the luxury mixed-use development's reputation as a world-class development.

Current Projects

Puteri Cove Residences



Source: SAC Capital (Photo taken on the 15th June 2017)

As at 30 December 2016, PSD has sold 416 units (representing 39.5% of the total number of residential units and none of the commercial units) in Puteri Cove Residences with an aggregate contract value of approximately RM615.3 million.

Current Projects

The Posh Twelve



Source: Company data, SAC Capital

The Posh Twelve is a freehold condominium with 1,373 high-rise residential apartments in two towers of 45-storey and 39-storey, complimented with 7 commercial units at the first level. Located in Tiwanon Road, Bangkok, it is the tallest residential development in its area, fully furnished with extensive amenities and well-connected (it is a three minute walk from the nearest MRT station). This prominent development is aimed at middle income buyers.

The Posh Twelve offers fully fitted studios, 1 and 2 bedroom apartments with high ceiling and a limited number of duplex units.



Source: Company data, SAC Capital

As at 30 December 2016, PSD has sold 175 units (representing 12.7% of the total number of units) in The Posh Twelve with an aggregate contract value of approximately THB461.5 million.



Source: Company data, SAC Capital

Past Projects

Panorama

- Location: Jalan Ampang, Kuala Lumpur. Located along Persiaran Hampshire within the Kuala Lumpur City Centre (“KLCC”) area.
- Description: The prime residential project known as “Panorama” was completed in 2011 and is located less than 5 minutes walk from the world renowned Petronas Twin Tower and KLCC complex.



Source: Company data, SAC Capital

Pavilion

- Location: 168 Jalan Bukit Bintang. Kuala Lumpur’s prime shopping district at Jalan Bukit Bintang.
- Description: Pavilion is a mixed-use mega development comprising a retail mall, two luxury residential blocks, an office tower and a hotel with a total lettable area of 1,376,000 sq ft in the retail mall. It was opened in 2008.



Source: Company data, SAC Capital

The Address Sathorn

- Location: Sathorn Soi 12, Bangkok. Located in the heart of the Bangkok Central Business District close to Grade A office buildings and foreign embassies. It is also a 15 minute walk from two metro underground stations.
- Description: The residential condominium tower of 40 storeys comprising 562 fully fitted and furnished condominiums commenced construction in 2009 and was completed in end 2011. This prime project features a sky deck on the 40th floor comprising a swimming pool, jacuzzi, function room and sauna rooms.



Source: Company data, SAC Capital

Rhythm Ratchada

- Location: Bangkok. Located next to Ratchada MRT station.
- Description: This is close to many office blocks, retail malls and foreign embassies. The area is an established residential and commercial district which contains a station link to the Suvarnabhumi International Airport. The twin towers of 37 and 32 floors offer a total of 881 units of contemporary high-rise residential condominiums with a full suite of facilities. Construction was completed in 2011. All the apartments were built and delivered to buyers on a fully fitted and furnished basis.

Financial Analysis

Revenue model

- The core business can be categorised into two business segments. In the Group's 2016 annual report, the Property business is not included as the reverse takeover of LH Group Limited was only completed on 15 February 2017.
- (a) Property: According to PSD's 2016 annual report, the Property division performed strongly in FY2016, as it continued to recognise revenues and profits on a percentage of completion basis for Puteri Cove Residences. This project is expected to be completed in 3Q17. The Group's other development project in Bangkok, Thailand, which is currently under construction, is scheduled for a regional launch in Q2 2017. Project completion is expected in 2019.
- (b) Non-Property: Aluminium division

The Sail @ Marina Bay



The Aluminium division designs, fabricates and installs building façades and exterior walls such as curtain walling systems, cladding systems, high quality doors and windows.

Its technical expertise and track record accumulated over the years has enabled the Group to register with the top grading (L6) with the Singapore Building and Construction Authority. This allows the Aluminium division to tender for projects with unlimited tender values.

The division's track record include several Housing Development Board projects, such as The River Vista @ Kallang and The SkyTerrace @ Dawson, as well as Singapore Changi Airport Terminal 3, The Sail @ Marina Bay, The Capella @ Sentosa, Educational Institution Building @ Tampines – United World College South East Asia, Orchard Central, The Clift @ McCallum Street, The Tannery, Floridian and Jardin Condominium.

Source: Company data, SAC Capital

Recent Corporate Developments

1Q17 financial performance

First quarter 2017 ended (S\$m)	1Q16A	1Q17A
Revenue b/d		
-Property	N/A	14.1
-Non-Property	3.7	0.7
Total revenue	3.7	14.9
less: COGS	(3.3)	(7.7)
Gross Profit	0.4	7.2
Profit/(loss) before tax	(0.6)	5.9
Net attrib profit/(loss)	(0.5)	2.3

PSD's 1Q17 results reflect the combined results of the property division and the existing businesses of aluminium and vehicle divisions post the RTO exercise.

Revenue increased by S\$11.2 million or 304.3% from S\$3.7 million to S\$14.9 million, with progressive recognition of income from sale of 51%-owned Puteri Cove Residences. Cost of sales correspondingly increased by S\$4.4 million or 130.7% to S\$7.7 million in the quarter.

Non-property revenue, comprising of Aluminium and Vehicle divisions, fell from S\$2.9m to S\$0.7m as most projects were completed in the previous year.

The Bangkok development project, which is equity accounted, posted a pretax loss of S\$0.4m due to operating cost incurred. Earnings from this project will only be recognised on completion, expected to be in year 2019.

Net gearing was 0.7x, with net debt of S\$27.4 million.

Disposal of Autotrax International

PSD recently disposed 51%-owned loss-making Autotrax International Pte. Ltd. for a consideration of S\$350,000. Autotrax and its wholly-owned subsidiary, Autovox Korea Co., Ltd., which manufactures automotive traction devices, incurred net loss of S\$1.6m to PSD in FY16.

Income Statement (S\$'000)

	Fiscal Year Ended				
	2015	2016	2017F	2018F	2019F
Revenue	19,159	12,553	N/A	N/A	N/A
Cost of sales	(20,546)	(11,182)	N/A	N/A	N/A
Gross Profit	(1,387)	1,371	N/A	N/A	N/A
Other operating income	775	490	N/A	N/A	N/A
Distribution expenses	(305)	(190)	N/A	N/A	N/A
Administrative expenses	(2,776)	(2,458)	N/A	N/A	N/A
Other operating expenses	(2,038)	(6,417)	N/A	N/A	N/A
Finance	(21)	(20)	N/A	N/A	N/A
Profit/(Loss) before tax	(5,752)	(7,224)	N/A	N/A	N/A
Income tax	(3)	(2)	N/A	N/A	N/A
Profit/(Loss) for the year/period	(5,755)	(7,226)	N/A	N/A	N/A
Profit/(Loss) attributable to owners of company	(4,567)	(5,446)	N/A	N/A	N/A
Earnings/(Loss) per share:					
-Basic (cents)	(9.66)	(12.11)	N/A	N/A	N/A
-Diluted (cents)	(9.66)	(12.11)	N/A	N/A	N/A

Balance Sheet (S\$'000)

	Fiscal Year Ended				
	2015	2016	2017F	2018F	2019F
As at 31 Dec					
Cash and bank balances	12,911	12,783	N/A	N/A	N/A
Trade, other receivables and others	11,870	10,879	N/A	N/A	N/A
Inventories	3,224	725	N/A	N/A	N/A
Due from customers on construction contracts	1,074	32	N/A	N/A	N/A
Total current assets	29,079	24,419	N/A	N/A	N/A
Intangible assets	585	0	N/A	N/A	N/A
Property, plant and equipment	693	333	N/A	N/A	N/A
Total non-current assets	1,278	333	N/A	N/A	N/A
Total assets	30,357	24,752	N/A	N/A	N/A
Trade and other payables	4,577	6,936	N/A	N/A	N/A
Borrowings	513	571	N/A	N/A	N/A
Current tax liabilities	43	46	N/A	N/A	N/A
Due to customers on construction contracts	2,115	1,606	N/A	N/A	N/A
Provision for warranty	1,959	2,187	N/A	N/A	N/A
Total liabilities	9,207	11,346	N/A	N/A	N/A
Share Capital	48,196	48,196	N/A	N/A	N/A
Treasury shares	(104)	(513)	N/A	N/A	N/A
Reserves	(25,417)	(30,919)	N/A	N/A	N/A
Equity attributable to shareholders	22,675	16,764	N/A	N/A	N/A
Non-controlling interests	(1,525)	(3,358)	N/A	N/A	N/A
Total Equity	21,150	13,406	N/A	N/A	N/A
Total liabilities and equity	30,357	24,572	N/A	N/A	N/A

Cash Flow Statement (S\$'000)

	Fiscal Year Ended				
	2015	2016	2017F	2018F	2019F
Profit/(Loss) before tax	(5,752)	(7,224)	N/A	N/A	N/A
Depreciation & amortisation	750	137	N/A	N/A	N/A
Change in working capital	7,254	7,512	N/A	N/A	N/A
Others	1,243	2,649	N/A	N/A	N/A
Net Cash (used in)/ from operations	3,495	3,074	N/A	N/A	N/A
Purchase of PPE	(52)	(76)	N/A	N/A	N/A
Others	134	(2,777)	N/A	N/A	N/A
Net Cash (used in)/ from investing	82	(2,853)	N/A	N/A	N/A
Net increase in equity	0	0	N/A	N/A	N/A
Net increase in debt	130	0	N/A	N/A	N/A
Others	(117)	(442)	N/A	N/A	N/A
Net Cash (used in)/ from financing	13	(442)	N/A	N/A	N/A

Ratios

	Fiscal Year Ended				
	2015	2016	2017F	2018F	2019F
Profitability (%)					
Gross profit/(loss) margin	(7.2%)	10.9%	N/A	N/A	N/A
Operating profit margin	N/A	N/A	N/A	N/A	N/A
Profit/(loss) before tax margin	(30.0%)	(57.5%)	N/A	N/A	N/A
Liquidity (x)					
Current ratio	3.2	2.2	N/A	N/A	N/A
Quick ratio	2.8	2.1	N/A	N/A	N/A
Interest coverage ratio	N/A	N/A	N/A	N/A	N/A
Net Debt to Equity	Net cash	Net cash	N/A	N/A	N/A
Valuation (x)					
P/E	N/A	N/A	N/A	N/A	N/A
Core P/E	N/A	N/A	N/A	N/A	N/A
Core P/E at target price	N/A	N/A	N/A	N/A	N/A
P/B	4.8	7.6	N/A	N/A	N/A
EV/EBITDA	N/A	N/A	N/A	N/A	N/A
Cash Conversion Cycle					
Trade receivable days	N/A	N/A	N/A	N/A	N/A
Inventory days	N/A	N/A	N/A	N/A	N/A
Trade payable days	N/A	N/A	N/A	N/A	N/A
CCC days	N/A	N/A	N/A	N/A	N/A
Returns					
Return on equity	N/A	N/A	N/A	N/A	N/A
Return on capital employed	N/A	N/A	N/A	N/A	N/A
Dividend payout ratio	N/A	N/A	N/A	N/A	N/A

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Party	Quantum of position
Nil	Nil

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Pacific Star Development	Continuing Sponsor	Ongoing

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