

Issuer: Bund Center Investment Ltd

Security: Bund Center Investment Ltd

Meeting details:

Date: 25 April 2017

Time: 16:30H

Venue: PARKROYAL on Beach Road, Grand Ballroom, Level 1, 7500 Beach Road, Singapore 199591

Company Description

Bund Center Investment Ltd, an investment holding company, engages in the ownership of a hotel, and ownership and management of commercial and retail properties in the People's Republic of China. It operates through Hotel and Property Leasing segments. The company owns The Westin Bund Center Shanghai, a five-star hotel in Shanghai. It also owns and manages the Bund Center Office Tower in Shanghai; and the Golden Center, a six-storey retail complex in Ningbo, Zhejiang Province. In addition, the company is involved in the trading of hotel supplies and related products; property development and management activities; and provision of consultancy and management services. The company was incorporated in 2009 and is based in Singapore. Bund Center Investment Ltd is a subsidiary of Flambo Bund Centre Ltd.

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

Q1. Shareholders would like to seek further clarity at the performance of the office tower (Bund Center Office Tower) and of the hotel (The Westin Bund Center Shanghai). Specifically,

- a) **Bund Center Office Tower:** During the financial year, the officer renewed 13 tenants and signed on 14 new deals (presumably new tenants) (page 12). **Can management elaborate on the conditions of the commercial office market in Shanghai? What was the rental reversal for the contracts entered into in 2016? What is the weighted average lease expiry for the Bund Center Office Tower?**
- b) **The Westin Bund Center Shanghai:** The hotel achieved a credible occupancy rate of 82.7% and an average daily rate of RM1,220. **What is the outlook for the luxury hotel accommodation for Shanghai in 2017? What is the breakdown between business and leisure guests for the hotel? Has the opening of Shanghai Disney Resort in June 2016 led to any impact on the daily rates and the occupancy of the hotel?**

Q2. In the Independent Auditor's Report (pages 42 to 45), the Valuation of investment properties has been highlighted as a key audit matter. The auditor had also referred to "supporting independent professional valuations obtained by management to evaluate the fair value of the Group's investment properties at year end".

- a) **Can shareholders understand the audit committee's role in assessing the valuation of investment properties?**

In Note 16 (page 69 – Investment properties), the group has disclosed the valuations of the investment properties, as follows:

*As at 31 December 2016, the fair value of the Group's investment properties is approximately **RMB6,819 million**, equivalent to S\$1,418 million based on external valuation reports prepared by the independent professional valuers, Savills Valuation and Professional Services Limited as at 15 February 2017 based on the market data approach.*

*As at 31 December 2015, the fair value of the Group's investment properties was approximately **RMB6,819 million**, equivalent to S\$1,487 million based on management's estimation that the fair value of the Group's investment properties approximated the independent valuation reports dated 25 February 2015, prepared by the independent professional valuers, Savills Valuation and Professional Services Limited based on the market data approach.*

The dates of the valuation reports differ by two years (25 February 2015 vs 25 February 2017) but the fair value of the group's investment properties remained at RMB6,819 million, based on the independent valuation reports prepared by the independent professional valuers, Savills Valuation and Professional Services Limited.

- b) **Can the audit committee confirm that the valuation by the independent professional valuers for the fair value of the group's investment properties is RMB6,819 as at 31 December 2016 and this has remained unchanged in the past year using the market data approach?**
- c) **For better clarity on the assumptions used and on the valuation technique, can the company post the external valuation reports on SGXNet?**

Q3. The board currently consists of seven members, of which four are non-executive directors and of the four, three are considered independent. Guideline 2.2 of the Code of Corporate Governance 2012 (Code) issued by the Monetary Authority of Singapore further states that:

2.2 The independent directors should make up at least half of the Board where:

- i. *the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person;*

- ii. *the Chairman and the CEO are immediate family members;*
- iii. *the Chairman is part of the management team; or*
- iv. *the Chairman is not an independent director.*

In the Corporate Governance Report (page 18), the company disclosed that independent directors make up “more than one-third of the composition of the board”.

- a) **Would the nominating committee concur that Guideline 2.2 of the Code would apply to the company?**
- b) If so, the company has deviated from the Code with respect to Guideline 2.2 which requires independent directors to make up at least half the board. **Would the company explain why it had deviated from the Code?**
- c) **Would the nominating committee and the board relook into the board composition?**