

Issuer: Bukit Sembawang Estates Limited

Security: Bukit Sembawang Estates Limited

Meeting details:

Date: 27 July 2017

Time: 10.30 a.m.

Venue: M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908

Company Description

Bukit Sembawang Estates Limited, an investment holding company, engages in the property development, investment, and other property-related activities primarily in Singapore. It operates through two segments, Property Development and Investment Holding. The company develops residential properties comprising landed homes, private condominiums, and apartments. It also invests in and manages office buildings. Bukit Sembawang Estates Limited was founded in 1911 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=B61)

Q1. In the Chairman’s Statement (page 16 of the annual report), it was disclosed that both Luxus Hills Phases 6 and 7 have been completely sold and Skyline Residences was 98% sold by the end of the financial year.

On pages 2 to 15 of the annual report, the company also included brief introductions and pictures of the group’s developments, namely Skyline Residences, Watercove, Luxus Hills (Phase 9), project along Nim Road, St Thomas Walk, Paterson Collection and houses at Lengkok Angsa.

On pages 85 and 86, the group provided information about the properties, including tenure, site area, gross floor area, percentage of completion, expected date of completion, group’s effective interest and description.

- a) Would the company consider providing the sales performance of the group’s property projects in a systematic and comprehensive manner so that shareholders can understand the progress made in launching and selling the projects?**

Chairman had also mentioned that the group expects to obtain TOP for the condominium project at St Thomas Walk and the landed development for Luxus Hills Phases 8 and 9 (page 16). The group’s other development, Paterson Collection, has already been completed.

- b) In particular, can management help shareholders understand the group’s plan for the condominium project at St Thomas Walk?** It would seem like that construction has completed and the TOP will be obtained soon but the unnamed project has yet to be launched.
- c) Can management also update shareholders on the plans and sales of Paterson Collection?**

The valuation of development properties is a key audit matter in the Independent Auditors’ Report. In Note 8 (page 72 – Development properties), the allowance for foreseeable losses on development properties increased by \$5.039 million to \$36.367 million in 2017.

- d) Can the company provide a more detailed breakdown (by project) of the \$36.367 million allowance?**

Q2. In Note 22 (page 82 – Financial risk management (Capital management policy)), the group has stated that it “regularly reviews and manages its capital structure, comprising shareholders’ equity and borrowings, to ensure optimal capital structure and shareholders’ returns, taking into consideration operating cash flows, capital expenditure, gearing ratio and prevailing market interest rates”.

- a) Can the board elaborate further and explain what is the group’s targeted optimal capital structure?**
- b) When was the last review of the group’s capital structure?**

It was also mentioned that the group “achieved a return on shareholder’s equity (based on profit for the year) of 5.67% for the year ended 31 March 2017 compared to 7.13% for the year ended 31 March 2016”.

- c) Can the company clarify if the return on shareholders’ equity of 5.67% is calculated based on shareholders’ equity on a historical cost basis?**

For example, shareholders’ equity would not have accounted for the excess of \$13.891 million (being the difference of the fair value of the group’s investment property and the carrying amount in 2017) (page 68).

- d) If so, on a fair value basis, what would be the group’s total equity base?**

e) **What would be the group's return on equity if shareholders' equity is adjusted for fair value gains/losses?**

Q3. Shareholders appreciate that the board is once again recommending a final dividend of 4 cents and a special dividend of 29 cents per ordinary share.

In the Corporate Governance Report (page 25), one of the board's principal roles is to, inter alia, set up the company's dividend policy and to recommend dividend.

a) **Can shareholders understand if the board has deliberated and established a formal dividend policy?**

As shown in the Group Financial Highlights (page 21), the dividend cover is 0.85 times in 2017 and 1.08 times in 2016. With cash and cash equivalents of more than \$365 million as at 31 March 2017, the group would have no issues paying the proposed dividends.

b) **Can the board provide shareholders with better visibility on the sustainability of the dividends (including special dividends)?**