

Issuer: SUTL Enterprise Limited
Security: SUTL Enterprise Limited

Meeting details:

Date: 26 April 2018

Time: 3:00 p.m.

Venue: Constellation 1, ONE°15 Marina Club, #01-01, 11 Cove Drive, Sentosa Cove, Singapore 098497

Company Description

SUTL Enterprise Limited, an investment holding company, develops and operates integrated marinas. The company operates the ONE15 Marina Club at Sentosa Cove in Singapore; ONE15 Marina Brooklyn in New York; and ONE15 Luxury Yachting, which offers yacht chartering services with a fleet of approximately 40 luxury yachts. It also provides business and management consultancy, and management and technical services for marina activities. The company is headquartered in Singapore, Singapore. SUTL Enterprise Limited is a subsidiary of SUTL Global Pte. Ltd.

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

Q1. The group has made good progress by expanding its footprint to New York (USA), Suzhou and Guishan (China), Indonesia, Puteri Harbour (Malaysia) and Phuket (Thailand).

This is part of the group's two-prong growth strategy to acquire established marinas to transform and rebrand them in mature markets and to provide consultation and to secure management contracts under ONE°15 brand in emerging markets.

For instance, two of the most recent proposed transactions include:

- Makham Bay Marina Co., Ltd. ("MBM"): a 60% stake in MBM for \$5.6 million; MBM holds the construction permits and development rights for the site, together with the land side and accompanying water area body for a 30-year leasehold period
 - Taihu: a 10-year contract for an integrated marina project at Sanshan Island in Taihu Lake, Suzhou
- a) **In the mature markets segment, how much capital will the group allocate to its strategy of acquiring assets in Tier 1 tourist destinations/capital cities with established marinas?**
 - b) **As the group is a leading developer, operator, consultant and owner of integrated marinas, what are the benefits of the ownership-model versus an asset-light strategy (of consulting for and managing marinas)?**
 - c) **In the Message to Shareholders, it was said that the group is "fiercely protective of our proprietary ONE°15 brand" (page 4). As the group sets up or acquires new marinas all over the world, how does it ensure that the ONE°15 brand and the level of service are consistent across the globe?**

Q2. In FY2017, a highlight for the group was a stronger foothold and greater influence in China and Indonesia.

- a) **Specifically on the group's prospects in China, with three projects on hand namely, ONE°15 Marina Guishan in Zhuhai, ONE°15 Marina Taihu Lake in Suzhou and an MOU with the Hainan Cruise & Yacht Association, how significant will the Chinese market be for the group in the mid-long term?**

Based on the industry report cited in the annual report, the Chinese yachting industry is forecasted to "register the fastest compound annual growth rate of 8.1% between 2015 and 2022, driven by growing number of wealthy individuals and rising interest in yachting".

- b) **With the recent strong push by the Chinese government to clampdown on corruption, has the group seen a more muted interest in yachting?**
- c) **Is yachting considered a kind of conspicuous consumption in China?**
- d) **What are the group's fall-back plans should the Chinese market grow slower than expected?**

Q3. The "carrying amount of property, plant and equipment" is one of two key audit matters (KAMs) highlighted by the Independent Auditor in their Report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As at 31 December 2017, the group's property, plant and equipment amounted to approximately \$16.7 million which is approximately 25% of the Group's total assets.

As disclosed in Note 11 (pages 66 & 67), the recoverable amount of the property plant and equipment was determined based on the value in use calculations using the Group's cashflow projections which include key estimates and assumptions that are inherently judgmental.

- a) **Would management further elaborate on the range of gross margins used in the value in use calculations of the recoverable amount of property, plant and equipment?**
- b) **Can the audit committee (AC) help shareholders understand how the pre-tax discount rate of 10% used in the calculation was determined?**

In addition, the group has a yacht chartering business with a fleet of more than 40 luxury yachts, under its fully-owned subsidiary, ONE15 Luxury Yachting.

- c) **Can management also help shareholders understand if the group owns the 40 yachts and if so, how is it accounted for in the balance sheet?**