Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Bund Center Investment Ltd

Stock code: BTE

Meeting details:
Date: 27 April 2020
Time: 12.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Company Description

The Group is engaged in investment holding property businesses in PRC. Currently, it is engaged in: (a) the ownership of The Westin Bund Center Shanghai, a five-star hotel in Shanghai that is currently managed by Starwood/Westin Management; and (b) the ownership and management of commercial and retail properties, namely our Bund Center office tower in Shanghai and our Golden Center, a six-storey retail complex in Ningbo, Zhejiang Province, PRC.
(Source: https://www.sgx.com/securities/equities/BTE)

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. The group's prime assets in Shanghai performed relatively well, with the Bund Center Office Tower maintaining a high average annual occupancy of 86.5% (page 14 of the annual report) and the hotel achieving an occupancy rate of 79.2% (page 17). Net cash generated from operating activities amounted to $43 million and the group holds cash and cash equivalents of $159.5 million as at 31 December 2019. The group is in a net cash position of $160.8 million (page 89 of the annual report). In fact, the group has been in a net cash position since FY2010.

(i) **For the benefit of new and long-standing shareholders, would the board clarify on the group's strategic direction? Specifically, what are the group's growth plans, if any?**

(ii) **Has management evaluated good assets that may be available as an opportunistic acquisition during this challenging time?**

(iii) **Has the board evaluated its capital allocation framework and re-examined its capital structure, and consider returning excess capital to shareholders so as to maximise shareholders' value?**

Q2. In Note 7 (page 75 – Other operating income), the group recognised $604,000 in net foreign exchange gain in FY2019. In FY2018 and FY2017, the group recognised net foreign exchange losses of $(3.166) million and $(1.719) million respectively.

The RMB:SGD exchange rates at the end of FY were:

- 31 December 2016: 4.8038
- 31 December 2017: 4.8478
- 31 December 2018: 5.0292
- 31 December 2019: 5.1775

(i) **Can management help shareholders understand the reasons for the relatively large movement in foreign exchange gains/(losses) from one financial year to another?**

Q3. Provision 2.2 of the Code of Corporate Governance 2018 states the following:

> Independent directors make up a majority of the Board where the Chairman is not independent

The company has stated that given the size and operations of the group, the board considers it "not necessary or cost-effective for the time being to have independent directors make up a majority of the Board" (page 27).

(i) **Would the independent directors help shareholders understand their individual and collective contribution to the group?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

If approved at the AGM, the three independent directors would receive directors' fees of $281,000 for the financial year ended 31 December 2019. On average, each director would receive approximately $94,000 for the financial year.

The group's property portfolio has a valuation of approximately $1.865 billion (valuation dated 18 February 2019) (page 5).

(ii) **Can the independent directors justify why the board considers it "not necessary" or "cost-effective" to have one more independent director to comply with Provision 2.2 of the 2018 Code?**

(iii) **Has the board considered alternate means to comply with Provision 2.2?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)