



BUKIT SEMBAWANG ESTATES LIMITED

Company Registration No. 196700177M

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FOR ANNUAL GENERAL MEETING 2022

Bukit Sembawang Estates Limited (“BSEL”, “the Company”, together with its subsidiaries, “the Group”) would like to thank our shareholders and the Securities Investors Association (Singapore) (“SIAS”) for submitting questions ahead of the Company’s 56th Annual General Meeting (“AGM”) to be held through electronic means on 28 July 2022 at 10.30am.

The Company would like to share our responses to the questions received in the following categories:

- A. Strategy
- B. Financials
- C. Project Sales and Development
- D. Board and Management
- E. Dividends

A. Strategy

1. What are the future plans of the Group to enhance shareholder value?

Response

The Group has a healthy land bank and a steady sales pipeline of landed housing and condominiums. It also has in its portfolio, a long-term recurring income asset, namely Fraser Residence Orchard Singapore. Together, this drives the Group’s revenue generation.

The Group takes a long-term portfolio view of all its development properties and continues to closely monitor prevailing market conditions to determine the appropriate time to purchase additional land, if necessary, to supplement its existing land bank.

B. Financials

1. As at 31 March 2022, the Group has \$530 million (FY2021: \$729 million) in cash and cash equivalents, with over \$480 million (FY2021: \$575 million) in fixed deposits (page 95 of Annual Report; Note 12 Cash and cash equivalents).

As shown in the statements of financial position (page 65 of Annual Report), borrowings amount to \$130.9 million as at 31 March 2022 (FY2021: \$337.9 million). The net finance cost of the group was \$3.37 million (FY2021: \$4.36 million) despite the Group being in a net cash position.

For shareholders’ benefit, can the Board elaborate further on its capital management strategy? Are there any reasons for the Group to borrow and incur finance costs of \$5-6 million when the Group is in a net cash position?

Response

As at 31 March 2022, the Group has reduced bank borrowings from \$337.9 million to \$130.9 million. During this period of global economic uncertainty, caused primarily by the protracted and lingering impact of the COVID-19 pandemic, and aggravated by the Russia/Ukraine crisis, the Group is conserving cash to fund existing and upcoming developments as well as to preserve financial strength for growth and reinvestments, taking into consideration a probable prolonged period of economic uncertainties.

2. **Given that interest rates have increased and are widely expected to rise more, what is the Board's strategy to better manage the Group's capital to minimise the Group's net finance costs?**

Response

The Board is closely monitoring the Group's cashflow requirements and after taking into consideration expected expenditures, will be looking into further repayment of the bank borrowings to minimise the Group's finance costs, when appropriate.

C. Project Sales and Development

1. **In the Chairman's statement, it was disclosed that the Group will be focusing its efforts on LIV @ MB and Pollen Collection, the latter planned for launch in Q3/4 of 2022. The Atelier is a 120-unit, 22-storey residential development, situated in prime District 9. The project sits on the freehold land on Makeway Avenue which was acquired in March 2018. The Atelier was previewed in February 2021 but saw its March 2021 launch shelved. With just 12% sold, what is Management's strategy to improve the sales? For the benefit of shareholders, are there any reasons why The Atelier was not discussed as a key focus of the Group in this new FY? Is Management exploring alternate options for The Atelier?**

Response

The Group intends to reposition The Atelier as the aspirational address in prime District 9 Newton and is currently fitting out new show flats to showcase the various possibilities to interested buyers as well as to enhance the development's attributes.

2. **Can the Board help shareholders understand if the Group is agile enough to execute on its development projects and to successfully launch the projects in a timely manner to de-risk the Group? Has the Board reviewed if the "lag" of 3-4 years to launch a project is in line with the industry? If not, how will the Company be improving its "time-to-market"?**

Response

The Group takes a long-term portfolio view of all its development properties and continues to closely monitor and assess prevailing market conditions to determine the appropriate time for the launch of any of its development projects.

3. **What is the Group's view of the market sentiment for landed homes in Singapore, especially high end, luxury large terraced and semi-detached houses? Does Management expect the rising interest rates to dampen demand for the Pollen Collection? How is the Group marketing this project to attract potential buyers?**

Response

Interest rates are expected to rise, and may or may not have an impact on the interest of buyers in both landed and non-landed properties. However, as a result of the pandemic, there appears to be a greater interest in the purchase of properties with larger floor areas, based on sales achieved in 2021 and 1H2022. With the limited supply of landed homes, especially brand-new developments from the primary market, we expect demand for landed homes to remain resilient.

4. **Given that Fraser Residence Orchard, Singapore is externally managed, what is the level of influence and oversight by Management? How does Management value-add to the operation of the Group's luxury serviced apartments?**

Response

The Management works closely with international hospitality provider, Frasers Hospitality, to remain competitively comparable with other serviced apartments within the vicinity, so as to provide sustainable recurring income to the Group. The recurring income segment will continue to complement the property development segment of the Group.

- 5. In a rapidly rising housing loan mortgage rate environment this year, what is the Group's management plan to boost up the sale number of The Atelier project, which completion date is targeted in 4Q 2023?**

Response

The timing of launch for The Atelier was assessed to be in line with market conditions in FY2022. However, it may remain challenging to anticipate changes to these conditions and other extenuating circumstances that may affect buyers' interests such as public health concerns due to a spike in COVID-19 cases and extended restrictions to cross border travel. The Management is currently fitting out new show flats to highlight the development's attributes and reviewing strategies to increase sales for The Atelier.

- 6. As reported in the Company's Annual Report 2021, the Pollen Collection project achieved 5% work completion at that material time. Why was there no or minimum progress of site work over the last one year?**

Response

The project is in the advanced piling stage. The Group believes that high quality and uniquely designed properties, which will always be highly sought after, require careful planning and designing. A steadfast approach remains a high priority for the Group as we focus on delivering long-term sustainable value to our customers and stakeholders.

- 7. Can the Group provide some clarity on the plan to develop their large landed housing land bank they possessed? Is the Group able to achieve a sale of at least 80 units of the landed housing per financial year, taking together both the 99-year leasehold and freehold lands?**

Response

The Group takes a long-term portfolio view of all its development properties and continues to closely monitor and assess prevailing market conditions to determine the appropriate time for the launch of any of its development projects.

The Group is mindful to maintain, as much as possible, an even supply and demand balance with a stable cash flow of the Group, and will continue to adopt a prudent and measured stance and pace the sale of its development properties.

D. Board and Management

- 1. The Company does not currently have a Chief Executive Officer ("CEO") or a Chief Financial Officer. Has the Board/Nominating Committee ("NC") assessed if the Group has the necessary human resources and the depth in its management team to execute the Group's growth strategies?**

Response

The Board has reviewed and is satisfied that the Group currently has the necessary human resources in place to meet its objectives. The Board considers the senior management team appropriately qualified, and each has sufficient knowledge and experience to discharge his/her responsibilities in the Company. The Board works closely with the senior management team to execute the Group's strategies and to ensure the long-term success of the Group.

To build management bench strength, the Board has been undertaking a process to identify a suitable candidate to be the next CEO of the Group. Currently, the search is in an advanced stage, and it is anticipated that BSEL will be in a position to make an announcement on the appointment of the new CEO within the next 3 months.

2. Who is responsible for the Group's Profit and Loss?

Response

The responsibility for the Group's Profit and Loss lies with the Board of Directors and the Chief Operating Officer.

3. With nearly \$1.5 billion in total equity, the Group would greatly benefit from appointing an experienced CEO with a proven track record, with experience gained working in a large real estate developer, to lead the Group. What is the progress made by the company in its search for a new CEO? What are the criteria used to shortlist the CEO candidate?

Response

Please refer to our response under paragraph D1.

4. Did the vacant CEO role contribute to the Group's delayed launch of LIV @ MB and The Atelier?

Response

No, the Group takes a long-term portfolio view of all its development properties and continues to closely monitor and assess prevailing market conditions to determine the appropriate timing for the launch of any of its development projects.

5. Would the NC elaborate further on the Group's succession planning of senior executives and the depth of the Group's leadership bench strength in the core functions of the Group?

Response

The Group has a list of employees to fill vacant management positions that may arise which is the result of undertaking a regular succession planning exercise. The Group operates with the Chief Operating Officer supported by four Head of Departments and each Head of Department is supported by two line managers. The Group is committed to invest in the training and development of all personnel in the organisation (including the level supervised by the line managers) to improve the Group's leadership and management bench strength in the core functions over time.

6. The Company has yet to identify and appoint a CEO, after the previous CEO retired more than 2 years ago. Please advise on the progress in the search of a suitable candidate.

Response

Please refer to our response under paragraph D1.

E. Dividends

- 1. Can the Company consider declaring a special interim dividend when they report their half-yearly interim results in November 2022?**

Response

The proposed dividends are determined by the Board after taking into account the Group's performance, the cash position and the need to preserve financial strength for growth and reinvestments.

The Company endeavours to balance dividend returns to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure. The Company also strives to provide shareholders with a sustainable ordinary dividend on an annual basis.

By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary
21 July 2022
Singapore