

POLLUX PROPERTIES LTD.

(Incorporated in Republic of Singapore)

(Company Registration Number: 199904729G)

RESPONSE TO QUESTIONS RAISED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) ON THE COMPANY’S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

The Board of Directors (the “**Board**”) of Pollux Properties Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to respond to the questions received from the SIAS in relation to the Company’s Annual Report for the financial year ended 31 March 2020 (“AR2020”) released on 14 September 2020. The Company’s responses to the questions are set out below: -

Questions from SIAS

Q1. Would the board/management provide shareholders with greater clarity on the following financial and operational matters? Specifically:

- (i) **Leases:** The group’s focus in recent years has been to build up its investment property portfolio to provide recurring revenue stream with greater income stability and visibility for shareholders in the long term. As at 31 March 2020, the group has over \$338 million in the investment properties, out of total assets of \$387 million. Would management be disclosing the operational and financial metrics of its leasing activities? Pertinent information for shareholders would include weighted average lease expiry, rental reversion, lease expiry profile, major customers, sector exposure on top of the occupancy rate which is shown on page 11 of the annual report.

Company’s response

The Company will consider to disclose key relevant operational and financial metrics in the Annual Report for the financial year ending 31 March 2021.

- (ii) **Louis Kienne Serviced Residences:** The 96 units of service apartments, operating as Louis Kienne Serviced Residences, sit on 554 Havelock Road which has a remaining lease of 15 years. What are the long-term plans for the asset? Has management evaluated the group’s options for the leasehold property?

Company’s response

The Company has intentions to renew the lease term of the Louis Kienne Serviced Residences as the property is one of the cash generating unit and provides a recurring source of income for the Group.

- (iii) **Pavilion Square: What is the current status of the group's joint venture development, Pavilion Square?**

Company's response

The Pavilion Square project had obtained its Certificate of Statutory Completion in August 2020.

- (iv) **Fund management: Can the board elaborate further on the operational and financial achievements (such as the number of funds, assets under management etc) by Stirling Fort Capital Pte. Ltd since the company acquired the 50.01% interest in September 2015? As at 31 March 2016, the net asset of Stirling Fort was \$809,026 when the company acquired a 50.01% stake for \$847,000. Stirling Fort made \$99,530 in FY2019 but recognised a loss of \$(85,709) in FY2020. The net assets of Stirling Fort as at 31 March 2020 was \$834,401, an increase of 3.1% over 4 years.**

Company's response

As at 31 March 2020, Stirling Fort Capital Pte. Ltd. has S\$22.97 million worth of assets under management and 4 funds under management.

- (v) **Dividend: Since the company changed its corporate strategy to investments in the property segment in June 2010, the company has not declared a dividend in the past 10 years. Would the board consider a review of how the group could balance the need to provide returns to its capital providers (dividends to shareholders) and the need to support its growth?**

Company's response

The Board has reviewed the dividend policies of the Company. However, the Company wishes to highlight that any declaration of dividends will be based on the operational needs of the Group. Currently, the Company is of the view that cash can be put to better use by developing and maintaining the operations of the business.

- Q2. From the statement of financial position (page 58) and the consolidated cash flow statement (page 60), the following entries were observed:**

Party	Amount	Comments
Related companies	\$30,225,829 (FY2019: \$21,022,826)	Amount due from related companies (current asset)
	\$(9,203,003) (FY2019: \$(7,023,314))	Increase in amount due from related companies (cash flow from investing activities)

In the financial and operations review, it was stated that the increase in total assets was partly due to the increase in amount due from related companies of \$9.20 million, arising from advances extended by the company to a related company.

In Note 21 (page 88 – Due from related companies), it was stated that the amounts due from related companies are denominated in Singapore Dollars, non-trade in nature, unsecured, non-interest bearing, repayable on demand and to be settled in cash.

- (i) **Can management elaborate further on the amounts due from related companies? Please identify the related companies.**

Company's response

The amounts due from related companies represent the advances to related company for the payment of construction costs and liquidated damages to purchaser. Amounts due from related companies pertain to Pollux Treasures Pte. Ltd, a wholly-owned subsidiary of the Group's joint venture, Pollux Botero Pte. Ltd.

- (ii) **Why is the group extending increasing amounts of money which are nontrade in nature, unsecured and non-interest bearing, to related companies?**

Company's response

The increase in advances extended by the Company to Pollux Treasure Pte. Ltd. in FY2020 and FY2019 was mainly due to the payment of liquidated damages to purchasers for the Pavilion Square project developed by Pollux Treasures Pte. Ltd..

- (iii) **Would the board, especially the independent directors, help shareholders understand the rationale of the advances extended to related companies and if this would be considered as an interested person transaction?**

Company's response

The rationale of the advances extended to related company is to meet the obligation to repay liquidated damages and ensure the prompt completion of the project, which could incur greater financial loss if delayed further. The relevant interested person transactions been disclosed in page 46 of AR2020.

- (iv) **Given that the group has loans of over \$169 million as at 31 March 2020, and paying interest rates on the bank loans ranging from 1.95% to 4.68% per annum, would it be in the interest of shareholders to collect the outstanding amounts from related parties and to reduce its interest bearing borrowings with the financial institutions?**

Company's response

Subsequent to year end, there is no increase in advances extended to related companies and all the advances have been repaid by related companies.

Q3. The remuneration of directors is shown on page 38 of the annual report and reproduced below. The executive director and CEO, Dr. Nico Purnomo Po, received a remuneration of between \$250,001 and \$500,000, of which “Other benefits” accounted for 72% in FY2020.

In other words, Dr. Po received between \$180,000 and \$360,000 in “Other benefits”. As disclosed in the notes, other benefits include transport allowance paid during FY2020.

The company has further stated that the executive director has a service contract with the company.

A breakdown of the remuneration of the Directors and key management personnel (who are not Directors or the CEO) for FY2020 is set out below:

Remuneration Band and Name of Director	Base/Fixed Salary	Bonus	Directors' Fees ⁽¹⁾	Other Benefits ⁽²⁾	Total
Between S\$250,001 and S\$500,000					
Nico Purnomo Po	28%	–	–	72%	100%
S\$250,000 and below					
Po Sun Kok	–	–	100%	–	100%
Luciana	–	–	100%	–	100%
James Kho Chung Wah	–	–	100%	–	100%
Low Chai Chong	–	–	100%	–	100%
Timur Pradopo	–	–	100%	–	100%

(1) Directors' fees are subject to the approval of the Company's shareholders at the forthcoming AGM of the Company.

(2) Other benefits include transport allowance paid during FY2020.

(Source: company annual report; emphasis added)

- (i) Did the company revise the term of the service contract with the executive director in FY2020? If so, how was the review of the service contract carried out? In FY2018 and in FY2019, Dr. Po received \$250,001 to \$500,000 each year as his remuneration, with 85% due to base/fixed salary, 6% in director's fees and 9% in other benefits in FY2018 and 90% in base/fixed salary and 10% in other benefits in FY2019.**

Company's response

The revision of term to the service contract was by mean of a supplement letter to the service contract with Dr. Po. The supplement letter had been reviewed and approved by the Remuneration Committee.

- (ii) **Can the board help shareholders understand the reasons for the significant increase in other benefits paid to Dr. Po in FY2020? What is the justification for the significant increase in other benefits? Is the quantum of “Other benefits” linked to the financial performance of the group and of Dr. Po?**

Company's response

In the supplement letter issued to Dr. Po, his monthly remuneration and benefits are capped at a specific amount which is not more than total base salary and benefits previously approved by Remuneration Committee. The pay mix, defined as the ratio between this base salary and benefits, will be at the Company's discretion. In financial year ended 31 March 2020, Other benefits, as disclosed in Page 38 of the AR2020, consist of business transport allowances and other allowances for Dr. Po.

- (iii) **In addition, can the board confirm if the base salary of Dr. Po has been revised downwards? Provision 7.1 of 2018 Code of Corporate Governance calls for a significant and appropriate proportion of executive directors' and key management personnel's remuneration to be linked to the corporate and individual performance.**

Company's response

The Board confirms that the base salary of Dr. Po had been revised downwards in financial year ended 31 March 2020.

- (iv) **Can the board, especially the remuneration committee, help shareholders understand if the current remuneration practices meet the intent of Principle 7 of the CG code?**

Company's response

In Page 37 of AR2020, Principle 7 states that the level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

The policies and practices adopted by the Company in arriving at the remuneration practices, including disclosure on components, assessment process and performance indicators have been described on Pages 37 and 38 of the AR2020.

As disclosed on Page 38 of the AR2020, the compensation package comprise a fixed component, variable component and benefits-in-kind, where applicable, taking into account factors such as the individual's performance, the performance of the Group and industry practices.

The Company believes that there is sufficient transparency in its disclosure of remuneration which is consistent with the intent of Principle 7 of the Code.

By order of the Board

Nico Purnomo Po
Chief Executive Officer

28 September 2020

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor")

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The details of the contact person for the Sponsor is Ms. Tay Sim Yee, at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, telephone (65) 6232 3210