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Issuer: Bonvests Holdings Limited

Stock code: B28

Meeting details:

Date: 26 Apr 2024

Time: 2.00 p.m.

Venue: The Sheraton Towers Singapore, 39 Scotts Road, Topaz Room, Level 2, Singapore 228230

Q1. The rebound in the hospitality tapered off, with revenue increasing by 6% in FY2023. This growth is in contrast to the significant 111% increase in 2022, albeit from a COVID-impacted low base. Despite achieving higher overall room rates and occupancies, the segment result from the group's Hotel division was lower at \$39.0 million. Management has attributed this primarily to increased operating costs.

- (i) **What were the most significant factors that drove higher operating costs and what specific strategies are in place to manage or reduce operating costs going forward?**
- (ii) **Can the company provide insight into how the board/management assesses hotel performance, particularly in terms of distinguishing between characteristics such as resort versus urban/city locations, and the differentiation between own-branded hotels and managed/franchised hotels? Are capital allocation decisions made based on the findings?**
- (iii) The group recently opened its first desert resort, The Residence Douz, and is planning to open a new hotel in the Medina of Tunis in 2026. **How does the group strategise on the development pipeline of hotels?**
- (iv) **Has any global hospitality group or investors expressed interest in acquiring Cenizaro Hotels and Resorts and the group's portfolio of independent luxury hotel properties?**

Q2. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Rental division:** In recent weeks, the enbloc deal of Far East Shopping Centre made the news as the buyer walked away from the deal after failing to get URA approval to redevelop the property under the Strategic Development Incentive (SDI) Scheme. The updated SDI scheme offers bonus gross floor area and greater flexibility in land use and building height if at least two neighbouring owners jointly redevelop their properties to create “a new destination”. **Has management evaluated the SDI scheme and what are management’s plan for Liat Towers? Are there plans to maximise the value of Liat Towers?**
- (ii) **Industrial division:** Colex Holdings Limited became a wholly owned subsidiary after the company delisted it from the SGX-ST. Colex’s performance remains subdued. **What was the strategic thinking behind delisting and owning 100% of Colex Holdings? Is management planning significant changes to the business model? Also, how does management see the impact of the Progressive Wage Model on the industry in both the near term and the long term?**
- (iii) **Finance costs:** Finance costs for bank borrowings nearly doubled, from \$8.96 million in 2022 to \$17.20 million in 2023. **Is the current level of borrowings optimal and how can the group better manage its interest costs? In addition, what guidance has the board provided to management regarding the use of interest rate hedges to mitigate interest rate risks?**

Q3. The section titled “Financial highlights” shows the group’s performance over a 5-year period. An excerpt is provided below. The net asset value per share has held steady at \$2.08-\$2.10 in the past three years.

	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000
Per Share Information					
Gross Dividend Per Share (cents)	1.60	0.75	0.3	–	1.60
Earnings Per Share (cents)	5.161	3.051	(10.264)	0.950	3.029
Net Asset Value Per Share (\$)	2.10	2.11	2.08	2.18	2.19
Dividend Cover (times)	3.23	4.07	(34.21)	–	1.89
Key Ratios					
Gearing Ratio	0.29	0.31	0.31	0.28	0.26
Debt to Equity Ratio	0.41	0.44	0.45	0.38	0.36
Return on Shareholders' Funds (%)	2.5	1.5	(4.8)	0.4	1.4

(Source: company annual report)


The company’s stock trades at a significant discount to the NAV per share (see stock chart below). In fact, the discount is significantly larger if one considers that the properties used in the group’s hotel business are stated at cost less accumulated depreciation (and accumulated impairment losses, if any).

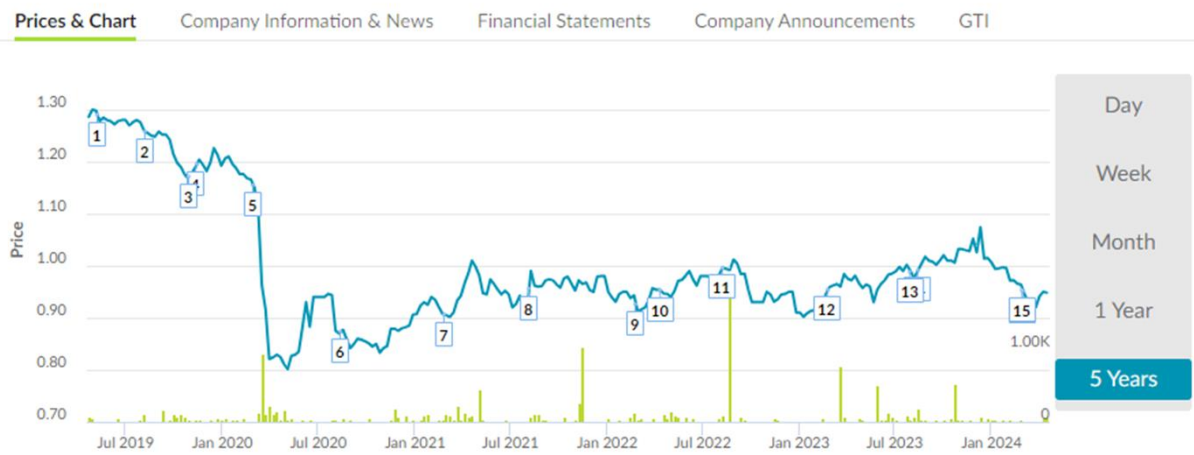
Bonvests (B28/BVHS.SI) 0.945 (No price change)

Industry: Cyclical Consumer Services, Hotels, Motels & Cruise Lines

This company reports in this currency: SGD

For latest update, please refer to Company Announcements.

 Cum Dividend/ Distribution



(Source: <https://investors.sgx.com/securities/stocks?security=B28>)

Based on SGX StockFacts, the company trades at a price-to-book value of ~0.45 and has a market capitalisation of \$360 million. The group has total equity exceeding \$845.8 million, even before the properties are revalued.

In recent years, stock exchanges and regulators, including Tokyo Stock Exchange and Korea's Financial Services Commission, have started to recognise that "corporate values" of listed companies have to improve and that the main driver in enhancing corporate value is the listed company itself.

Efforts have been targeted at companies that trade below a price-to-book ratio of below 1 and they have started to ask companies to set up and disclose valuation boosting plans. The initiative focusses on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies¹.

- (i) **Beyond attributing share price fluctuations solely to external factors, has the board considered formulating, disclosing and implementing strategic initiatives aimed at enhancing capital efficiency and bolstering corporate valuation, thereby crystallising value for all shareholders?**

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

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