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UEN No: S99SS0111B
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Issuer: Bukit Sembawang Estates Limited

Stock code: B61

Meeting details:

Date: 26 Jul 2024

Time: 10.30 a.m.

Venue: Waterfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663

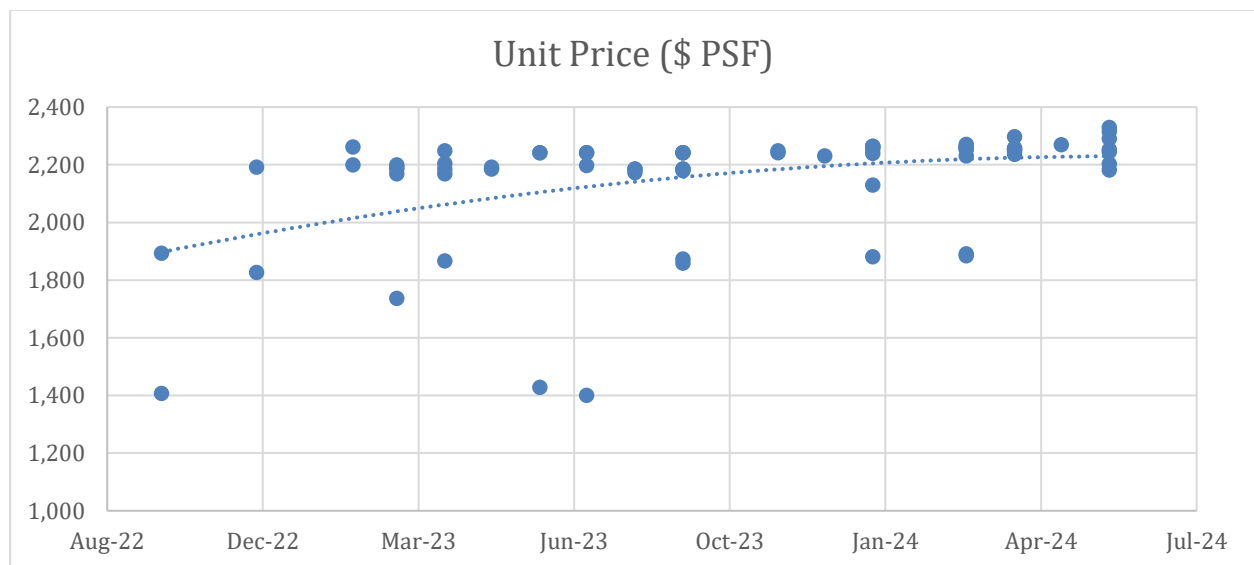
Q1. As noted in the chairman’s statement, the group has successfully sold out The Atelier and LIV @ MB. Profits before tax for FY2024 increased by 120% to \$82.6 million, with the group’s revenue reaching \$562.0 million.

Temporary Occupation Permit (TOP) for The Atelier was obtained in May 2024. LIV @ MB will receive TOP in the first quarter of 2025, and Pollen Collection is expected to receive TOP by the first quarter of 2026. Plans are in place for the launch of 8@BT in the third quarter of 2024.

The group continues to sell its inventory of bespoke landed homes at Pollen Collection through its in-house sales consultants.

- (i) **What percentage of the group’s customers are Singaporeans and Permanent Residents for some of the group’s latest projects, such as LIV @ MB, The Atelier, Pollen Collection and Nim Collection?**

Approximately half of the Pollen Collection has been sold. Based on caveats lodged with URA, the selling price has remained fairly stable since 2022.



- (ii) **Has the group been able to realise any benefits, such as higher average selling prices over time, by spreading out the sales of its projects?**
- (iii) **Can management clarify if sales of Pollen Collection are handled exclusively by the group’s in-house sales consultants? Are there benefits to leveraging real estate agencies to launch and market the projects, potentially leading to faster sales and reduced risk?**

- (iv) **What are the considerations in launching 8@BT only in the third quarter of 2024 given that piling work has already commenced and the main building works are expected to start by the second half of 2024?**

Q2. Based on the company's disclosure on SGX¹, there have been several changes to the senior management team in the past 18 months.

The cessations include:

- Chief operating officer (February 2023; in the job for two years)
- General management (Marketing & Sales) (November 2023; in the job for two years and four months)
- Head of project (July 2024; in the job for four years)

- (i) **Is the board, particularly the nominating committee (NC), satisfied with the retention and attrition rate of the senior management team? Are there challenges to identifying and retaining high-quality staff?**
- (ii) **Has the relatively high turnover rate in the senior management team affected the group's operations?**
- (iii) **Would the group benefit from having a chief financial officer?**

Separately, Mr Chu Leong Tho was appointed as an alternate director to Ms Fam Lee San on 28 March 2023². The NC is cognisant that the practice guidance of the Code of Corporate Governance 2018 notes that alternate directors should only be appointed in exceptional cases.

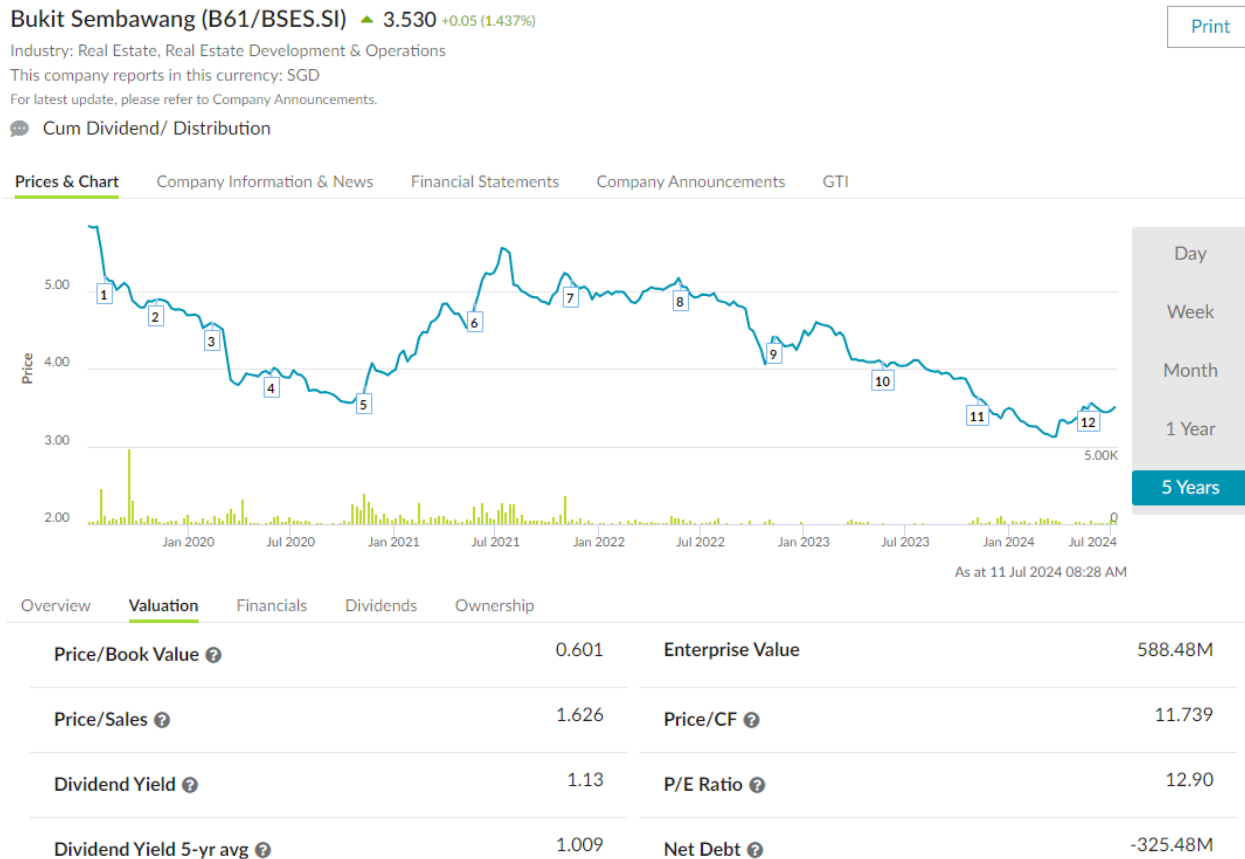
- (iv) **Can the NC clarify the reasons for appointing Mr Chu Leong Tho as an alternate director to Ms Fam Lee San and elaborate on the exceptional circumstances that support this appointment?**

¹ <https://www.sgx.com/securities/company-announcements?pagesize=20&value=BUKIT%20SEMBAWANG%20ESTATES%20LIMITED&type=company&ANNC=ANNC04>

² <https://links.sgx.com/1.0.0/corporate-announcements/B8ZRE3YC056T08KQ/498fc1ebaff7dff89d916a5f1fcd978fab62c5d096da5e885d930111dd444c2>

Q3. Based on SGX StockFacts, the company’s shares trade at around 0.6 times its book value, which is significantly made up of cash, and its enterprise value is approximately \$588 million. The group has cash and cash equivalents of \$452 million as at 31 March 2024, with total liabilities amounting to \$78.7 million.

Notably, the current share price has fallen below the levels observed during the COVID-19 lows of 2020.



(Source: <https://investors.sgx.com/securities/stocks?security=B61>)

- (i) **Has the board evaluated the group’s capital structure? What is the optimal capital structure to support the group’s growth plans?**
- (ii) **Is the group over-capitalised?**

In recent years, stock exchanges and regulators, including Tokyo Stock Exchange and Korea’s Financial Services Commission, have started to ask companies to set up and disclose valuation boosting plans. These corporate value-boosting initiatives are needed as it is recognised that “corporate values” of listed companies have to improve and that the main driver in enhancing corporate value is the company itself. Efforts have been targeted at companies that trade below a price-to-book ratio of below 1. The plans focussed on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies.

Specifically, Tokyo Stock Exchange has required companies with price-to-book consistently below 1x to disclose their policies and specific initiatives to improve their valuations.

- (iii) **What is the company's cost of capital? Has the board evaluated if management consistently delivers returns exceeding this benchmark?**
- (iv) **Could the board, particularly the independent directors, explain their efforts to increase corporate value and improve capital efficiency?**
- (v) **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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