

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS
FOR ANNUAL GENERAL MEETING 2020**

Bukit Sembawang Estates Limited (“**BSEL**”, “**the Company**” or 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 54th Annual General Meeting (“**AGM**”) to be held through electronic means on 24 July 2020 at 10.30am.

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

- A. Financials
- B. Impact of COVID-19
- C. Sales and Marketing
- D. Board and Management
- E. Impairment
- F. Dividends
- G. Corporate Reporting

A. Financials

1. How was the Return on Equity of 5.75% for FY2020 calculated?

[Response](#)

Return on Equity was calculated based on FY2020 Profit after tax divided by Total Equity as at 31 March 2020 multiplied by 100% (i.e. S\$76,081,000/S\$1,323,552,000 X 100% = 5.75%).

2. What is the Group’s holding cost for 8 St Thomas?

[Response](#)

The holding cost for 8 St Thomas is commercially sensitive information. The Group is currently selling the unsold units, and revelation of information on holding cost may compromise the confidentiality. The Group will endeavour to sell out the unsold units to mitigate the holding cost.

3. Has management evaluated the Return on Investment (ROI) of the Group’s high-rise development projects, including 8 St Thomas?

[Response](#)

Yes, we have conducted detailed financial feasibilities and evaluations for our high-rise development projects, including 8 St Thomas.

B. Impact of COVID-19

1. How has the COVID-19 pandemic impacted the business?

Response

The impact of COVID-19 in FY2020 is limited as the crisis only began to deepen from March 2020, the last month of our financial year.

Prior to the circuit breaker measures, we launched two brand-new landed residential projects in the Luxus Hills estate. Luxus Hills (Signature Collection) was launched in August 2019 and was fully sold within a month. Luxus Hills (Contemporary Collection) was launched in February 2020, with all 39 999-year leasehold landed homes sold within two weeks.

The market response to our 99-year leasehold landed houses at Nim Collection was also positive in FY2020. As at 18 June 2020, all 47 houses at Phase 1 and 94% of 51 houses at Phase 2 have been sold.

The Group believes in adopting a measured approach as we maintain our mid to long term objectives in order to steer the Company through the uncertainties that lie ahead.

With sound and sustainable government policies and supportive government initiatives to tide developers and homebuyers through the COVID-19 period, we believe the Group will remain stable and resilient in the year ahead.

2. Have there been delays to construction, and if so, what are the anticipated delays?

Response

Due to the circuit breaker measures and continued compliance with authorities guidance about safe distancing measures, construction work has been impacted.

However, the Company has accounted for possible delays and as such, our targeted dates of completion remain on track.

C. Sales and Marketing

1. How does the Company plan on pushing for sales at 8 St Thomas with the current measures in place and poor buyer sentiment?

Response

The ongoing COVID-19 pandemic has created a mixed market situation whereby some properties have become more attractive to purchasers and have shown good sales results. 8 St Thomas possess many of these attributes that are appealing to such purchasers.

Management is cautiously optimistic that 8 St Thomas, as a ready-for-immediate-occupation and freehold-tenure in District 9, will be an attractive proposition for both homeowners and investors.

To attract these prospective buyers, management embarked on an extensive enhanced marketing effort during the circuit breaker period. We conducted virtual tours of our show-suites and webinars to promote the development and extended our reach to overseas prospects and buyers.

With the opening of phase 2 of the circuit breaker, we were able to physically showcase our newly completed show-suites to prospects.

Going forward, we will continue to conduct virtual tours to attract our overseas prospects, to offer options for finishes and layout for selected units and make changes and adjustments where practicable. Further, as a completed development, we are in a unique position to provide deferred payment schemes to give our prospective buyers flexibility that will cater to their individual financial needs.

2. Are any projects at risk of being subjected to Qualifying Certificate (QC) or ABSD charges?

Response

Within the Group, only 8 St Thomas is subject to the first Qualifying Certificate extension charges.

Within the Group, only LIV@MB and The Atelier received ABSD remission. They are presently not at risk of being subject to ABSD charges.

3. Will previews and launches be carried out virtually or with physical show galleries?

Response

We will take guidance from the relevant authorities on any measures, with regard to the sales gallery, closer to the date of launch.

Nevertheless, we have put in place plans for both physical and virtual galleries to ensure that we remain flexible as we plan for our upcoming launches.

During the circuit breaker period, we conducted virtual tours of our show-suites and webinars to promote our developments and to extend our reach to overseas prospects and buyers.

With the opening of phase 2 of the circuit breaker, we were able to physically showcase our newly completed show-suites to prospects.

Going forward, we will continue to conduct virtual tours to attract overseas prospects as well as provide for physical show galleries and show-suites for our previews and launches.

Prior to the preview and launch dates, we will take guidance from the relevant authorities to ensure all necessary measures are in place for a safe opening of the sales galleries.

4. What is the occupancy rate at Fraser Residence Orchard Singapore (“FROS”)?

Response

The occupancy rate as at 18 June 2020 is 44.6%.

5. What are the projects in the pipeline for the year ahead, and when will they be launched?

Response

The Group has 3 projects in the pipeline for the year ahead. They are The Atelier, LIV@MB and 132 99-year leasehold landed houses at Seletar.

These projects are currently in the planning and pre-launch stage. The launch dates for these respective projects have not been firmed yet.

Management is carefully reviewing these 3 projects to determine the appropriate time of the launch based on when all the entitlements and approvals for sale can be obtained and when the market conditions and sentiments permit.

6. **Can management help shareholders understand the development roadmap for the remaining phases of the Seletar Hills landbank? On page 106, it can be seen that the Group has a landbank of 117,179 sqm in the Luxus Hills area.**

[Response](#)

The Group has so far developed a total of 10 phases as of February 2020 at Luxus Hills.

A new phase is currently in the preliminary planning stage. The houses in this phase will be put up for sale once the entitlements and approvals for sale are obtained and when the market conditions permit. Subsequently, the next phase will be developed, and the process will continue until the land is fully utilized for development and all the houses sold.

7. **What are the main considerations affecting the pace of the Group's developments and launches?**

[Response](#)

The pace of the developments and launches in Luxus Hills is driven primarily by the demand and take up rate. The Group is mindful to maintain a good supply and demand balance in order to ensure a reasonable take-up rate and to prevent an overhang of unsold houses that would otherwise affect the cash flow of the Group.

8. **Can the Company also provide more clarity on the status of the land bank marked for future phases (48,857 sqm and 19,094 sqm in the Nim Road area)?** These are recognised as vacant non-residential rural land for future residential development (page 107).

[Response](#)

The land bank at Nim Road, which is marked for future phases, are currently non-residential 999-year rural land. Upon redevelopment, the rural land will have to be surrendered and will be re-alienated into 99-year residential land.

9. **What is management's strategy to monetise the remaining units so as to de-risk the Group and to realise the development margin?**

[Response](#)

The ongoing COVID-19 pandemic has created a mixed market situation whereby some properties have become more attractive to purchasers and have shown good sales results. 8 St Thomas possess many of these attributes that are appealing to such purchasers.

Management is cautiously optimistic that 8 St Thomas, as a ready-for-immediate-occupation and freehold development in District 9, will be an attractive proposition for both homeowners and investors.

To attract these prospective buyers, management embarked on an extensive enhanced marketing effort during the circuit breaker period. We conducted virtual tours of our show-suites and webinars to promote the development and extended our reach to overseas prospects and buyers.

With the opening of phase 2 of the circuit breaker, we were able to physically showcase our newly completed show-suites to prospects.

Going forward, we will continue to conduct virtual tours to attract our overseas prospects, to offer options for finishes and layout for selected units, and to make changes and adjustments where practicable. Further, as a completed development, we are in a unique position to provide deferred payment schemes to give our prospective buyers flexibility that will cater to their individual financial needs.

10. How does management ensure that the new projects (The Atelier and LIV@MB) can be launched successfully and to achieve good sales given the current pandemic?

Response

Immediately following the spread of COVID-19 and recognizing the impact that it has on the sentiments and safety of people, management undertook a review of the projects to ensure the product is within the expectation and needs of prospects and buyers. Recent anecdotal evidence has shown that projects that are well located and designed are still selling.

Management will study the positive aspects of the well-received projects and re-evaluate and improve our product offering as necessary. We will also implement enhanced marketing strategies like virtual tours and webinars to promote the new projects to reach a wider local and international audience.

11. Can the Company help shareholders understand how Frasers Hospitality Group was selected to manage the serviced residences?

Response

Frasers Hospitality Group was selected to manage Fraser Residence Orchard, Singapore (FROS) in 2018. The decision was arrived at after the review of the competing bids received from a short-listed panel of highly recognised serviced residences operators with both local and international exposure. Key selection criteria included expertise, core competency, and financial capacity of the operators.

12. Given the pandemic, has the Group made adjustments to its long-term strategy to own serviced residences for recurring income?

Response

In spite of the pandemic, the Group still maintains its long-term strategy to own investment grade properties to generate recurring income.

We will continue to adopt a measured approach as we remain on the lookout for suitable new sites, while exploring opportunities for acquiring different investment grade properties.

13. Comparing the successes of the Group's landed developments to the mixed outcomes of the Group's high-rise projects, would the Board be evaluating how it would better leverage its strength in landed development and possibly reduce its exposure to high rise projects?

Response

The Group is a pioneer Singapore developer with decades of track record that has built and will continue to build quality homes regardless of housing types.

The Board firmly believes that it is important to maintain a diversified portfolio of real estate ranging from recurring income assets to development projects.

With a diversified portfolio and a constant pulse on the market, we would be able to respond quickly to changes in the market and develop properties that will cater to all types of discerning home buyers across all market segments.

D. Board and Management

1. **Can the Board, especially the nominating committee, help shareholders understand if the retirement of Mr Ng Chee Seng was part of the Group's succession planning and if so, did the Board consider it appropriate to announce the retirement of the CEO once the decision was made by Mr Ng? Under Listing Rule 704(7), an issuer must immediately announce the appointment or cessation of service of Key Persons including director, chief executive officer, chief financial officer, chief operating officer, general manager.**

Response

After thirteen years of service, Mr Ng Chee Seng retired in August 2019. Thereafter, he was appointed as an Advisor for one year to provide advice and guidance to the management team.

2. **What is the progress made in the search for a new CEO?**

Response

The Board is in the process of searching for a new CEO. As this is the most key senior executive position, the Board is carefully evaluating potential candidates to ensure their suitability and fit into the Group. Once the appointment is finalised, the Board will make the necessary announcement.

3. **Would the Board be reviewing if the Company has made the necessary announcements on changes to appointments of key executives to update the market as part of its continuous disclosure requirements?**

Response

The retirement of Mr Ng Chee Seng as CEO and Executive Director and the appointment of Mr Ooi Chee Eng as Acting CEO had been announced via SGXNet in accordance with continuous disclosure requirements of the SGX-ST Listing Manual under Rule 704(7).

The breakdown of the remuneration of the executives set out in the Annual Report was made in relation to the Code of Corporate Governance 2018 ("Code"). The continuous disclosure requirements would refer to the requirements under the Listing Manual, and in this case, to Rule 704(7) in particular. As the terms used in the relevant provision of the Code and in Rule 704(7) are different, there does not appear to have arisen a requirement for a review.

4. **With changes to the Board and to the senior management team, does the Group have the necessary human capital and the stability to execute on the Group's strategy to ensure the long-term success of the Group?**

Response

The Board consists of directors who have many years of experience in real estate development, financial, legal and management work. It is fully capable of overseeing, directing and guiding the management team.

The management team consists of executives who have many years of experience in their respective areas of responsibility.

Collectively, the Board and the senior management team have the necessary human capital and the stability to execute the Group's strategy to ensure the long-term success of the Group.

E. Impairment

1. What accounts for the impairment in FY2020?

Response

The impairment loss of S\$44.1 m recognised in FY2020 was mainly due to the decrease in the recoverable amount of FROS of S\$205.1 m as at 31 March 2020 as compared to S\$252.6 m as at 31 March 2019. The recoverable amount was determined based on independent valuations undertaken.

Judgement is involved in the impairment assessment, including determining the key assumptions applied in arriving at the recoverable amount which can be found in our annual report on page 83 (Note to Accounts 5).

2. Is there a chance that the impairment losses will be reversed next year?

Response

We are not certain whether the impairment losses will be reversed next year in view of the impact of the ongoing COVID-19 pandemic on the global economy. The Group will continue to monitor and review for impairment losses in accordance with its accounting policy at the next financial year end.

3. Will there be further impairment losses recorded in the year ahead?

Response

In line with the Group's accounting policy, we will carry out independent valuations of the properties at the next financial year end. We will review for impairment losses and make necessary adjustments accordingly.

F. Dividends

1. Can we expect similar dividends for this financial year, in light of the COVID-19 situation?

Response

In light of the COVID-19 Pandemic, the dividends payout decisions will be balanced with the need to conserve cash to preserve financial strength for growth and reinvestments taking into consideration a period of economic uncertainties due to COVID-19.

G. Corporate Reporting

- 1. How is the Company managing the announcement by SGX RegCo that quarterly reporting is no longer necessary unless identified?**

Response

Following the efforts of SGX RegCo to enhance the regulatory regime by adopting a more targeted and risk-based approach to reporting, the Company announced that it will proceed with semi-annual reporting with effect from the financial year ended 31 March 2020.

The decision was made following discussion by the Board, taking into consideration the compliance costs and efforts required in relation to quarterly reporting.

Nevertheless, the Company will continue to keep shareholders updated on material developments relating to the Company or the Group, such as new launches, as and when appropriate, in accordance with requirements of the SGX Mainboard.

By order of the Board

Ooi Chee Eng
Company Secretary

23 July 2020
Singapore