

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

Sinarmas Land Limited (the “Company” and together with its subsidiaries, the “Group”) would like to respond to the following questions raised by Securities Investors Association (Singapore) (“SIAS”) on the Company’s Annual Report for the financial year ended 31 December 2018, as follows:

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

- (i) Rental income: As noted in the chairman and CEO statement, recurring income for the group has increased consistently to hit S\$163.5 million in FY2018, of which about a third was derived from outside Indonesia. Has management set a target for the quantum and percentage of recurring income to be derived from outside Indonesia?

**Management does not set a target for allocation of recurring income from outside Indonesia but has set a target of at least 25% of the Group’s revenue to be sourced from recurring income. For FY2018, approximately 22.7% of the Group’s revenue was from recurring income, of which about one-third of it was from outside Indonesia.**

- (ii) Occupancy rates: What are the occupancy rates of the group’s major investment properties? In Indonesia, the group has Sinar Mas Land Plaza (Jakarta), Sinarmas MSIG Tower, Sinar Mas Land Plaza (Surabaya) and Sinar Mas Land Plaza (Medan). In the UK, it has Alphabeta Building, 33HF and Warwick House.

**The average occupancy rates of the Group’s major investment properties for FY2018 are as follows:**

- **Sinar Mas Land Plaza (Jakarta): 97%**
- **Sinar Mas Land Plaza (Surabaya): 80%**
- **Sinar Mas Land Plaza (Medan): 70%**
- **Sinarmas MSIG Tower: 60%**
- **Alphabeta Building: 100%**
- **33 Horseferry Road: 100%**
- **Warwick House: 100%**

- (iii) China: In August 2018, the group signed a definitive cooperation agreement with Rong Qiao for a 40% stake in a commercial and residential project, Chengdu Yue Rong Cheng (成都悦蓉城) that has a land area of 56,868 sqm, with a total investment of RMB396 million. What is the level of oversight and opportunity to value-add by management to the project? Is the group a passive investor in this agreement?

**The cooperation agreement provides that shareholders of the project can exercise its voting rights in proportion to the shareholders’ capital contribution; and the Group has oversight over certain reserved matters which require unanimous approvals from the shareholders.**

**While the project operations and development is driven by the majority shareholder (Rong Qiao), the Group is able to value-add to the project through routine participation in the management meetings of the project and sharing knowledge from its experiences as the largest property developer in Indonesia.**

- (iv) Interest rates: In Note 39 (page 165 – Financial risk management: Interest rate risk), as at 31 December 2018, approximately 47% of its \$2.03 billion financial liabilities are variable rate. Has the board evaluated the group's interest rate risks and determined that the current arrangement is optimal?

**Yes, the Board has evaluated the Group's interest rate risks and considered appropriate that about 47% of the Group's financial liabilities are variable rates – given the current macro-economic conditions and relatively dovish stance adopted by the Federal Reserve in its most recent update, as well as the benign inflationary environment, it is more cost efficient to employ variable interest rate borrowings. In Note 39, we have disclosed the effects on the net financial assets had interest rates during the year been 0.5% higher or lower.**

- (iv) Foreign currency risk: The group is exposed to foreign currency risks due to its net investments into investment properties in the United Kingdom, China and Malaysia. While the group uses the Singapore Dollar ("SGD") as its presentation currency, the group's major subsidiaries are mainly in Indonesia with the Indonesian Rupiah ("IDR") as its functional currency. Given the increased fluctuation in foreign currency rates, would the board evaluate if the group would benefit from a more deliberate hedging framework?

**The Group recognises the foreign currency risks associated with its investments in various geographical regions and had always deliberated the costs and benefits arising from a more deliberate hedging framework. The Group prefers to manage its foreign currency risks by relying on natural hedges wherein any operating expenses or finance costs in a foreign currency is matched by corresponding revenue denominated in that currency.**

2. The board has 5 executive directors, namely:
- Mr. Franky Widjaja as executive chairman
  - Mr. Muktar Widjaja as executive director and the chief executive officer
  - Ms. Margaretha Widjaja as executive director
  - Mr. Ferdinand Sadeli as executive director and the chief financial officer
  - Mr. Robin Ng Cheng Jiet as executive director

From the biography of the directors (pages 13 to 17), only the roles and responsibilities of Ms. Margaretha Widjaja is disclosed:

*Since 2008, Ms. Margaretha Widjaja was Vice-Chairman of the Indonesian Property Division of SML and she was instrumental in leading the transition of the management organization structure and the re-branding of "Sinarmas Land" in Indonesia. She supports the Chief Executive Officer in formulating the Group's business plans and strategies, and is also responsible for the Group's Enterprise Risk Management activities and corporate governance initiatives.*

- (i) Would the board help shareholders understand the roles and responsibilities of all five executive directors on the board?

**The roles and responsibilities of the 5 executive directors are as follows:**

- (i) **Mr. Franky Widjaja as the Executive Chairman is responsible for charting the overall strategic directions of the Group and looks after the interests of various stakeholders;**
- (ii) **Mr. Muktar Widjaja as the CEO is responsible for the implementation and execution of business plans and strategies across the Group. He is also the Chairman of the Indonesian Property Division of SML;**

- (iii) **Ms. Margaretha Widjaja supports the CEO in various initiatives as outlined above;**
- (iv) **Mr. Ferdinand Sadeli as the CFO is responsible for all financial matters relating to the Group, as well as overall in-charge of M&A activities across the Group; and**
- (v) **Mr. Robin Ng supports the CFO and is responsible for financial and operating activities of the Group's International Property Division, outside Indonesia.**

Furthermore, the company operates mainly through three public listed Indonesia subsidiaries, namely PT Bumi Serpong Damai Tbk ("BSDE"), PT Duta Pertiwi Tbk ("DUTI") and PT Puradelta Lestari Tbk ("DMAS").

- (ii) What is the level of influence and control in the day-to-day management of the listed subsidiaries?

**The 3 public-listed subsidiaries has its own board of directors, board of commissioners and management team, SML is not involved in nor controls the day-to-day management of these listed subsidiaries, but as the controlling shareholders, the SML Executive Directors do get involved in certain matters which require shareholders' approval.**

- (iii) Is there significant overlap in roles and responsibilities of the executive directors for the company given that there are five executive directors on the board? The listed subsidiaries have their individual boards and key executives.

**There is no significant overlap in roles and responsibilities as outlined above.**

- 3. Mr. Hong Pian Tee, as an independent director of the company joined in April 2017. Mr. Willy Shee Ping Yah @ Shee Ping Yan and Mr. Lew Syn Pau joined as independent directors in April 2018.

Mr. Hong was on the board of Golden Agri-Resources Ltd from November 2001 to April 2017.

Mr. Shee has been on the board of Bund Center since February 2010.

Mr. Lew has been on the boards of Golden Agri-Resources and Golden Energy and Resources Limited since 1999 (except for a short break from May 2007 to December 2007) and April 2015 respectively.

The controlling shareholders of the company also control Golden Agri-Resources, Golden Energy and Resources Limited and Bund Center.

The nominating committee (NC) has stated that "Mr. Shee and Mr. Lew were shortlisted by Management to the NC for assessment of their suitability for appointment."

- (i) Has the NC considered the relationship the then-candidates have with the controlling shareholders?

In the 2012 Code of Corporate Governance, an independent director is one who has no relationship with the company, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the company, that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.

**The NC had, at its meeting on 26 February 2018, noted and took cognizance of both Mr. Shee and Mr. Lew's non-executive independent positions in Bund Center Investments Ltd ("BCI") and Golden Agri-Resources Ltd ("GAR") respectively. In addition, in considering Mr Lew's appointment, the NC also noted and took cognizance of the fact that the Widjaja Family Master Trust (2) ("WFMT2") is the controlling shareholder of both the Company and GAR.**

Both Mr. Lew and Mr. Shee had confirmed to the NC that:-

- (i) They are not related not related to any director of the Company;
- (ii) They do not represent the WFMT2; and
- (iii) They are not accustomed to nor under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of WFMT2 in acting as a director of the Company, should they be appointed.

Referencing to the 2012 Code of Corporate Governance which sets guidelines on factors which would render a director to be deemed not independent, the NC and the Board were satisfied with the independence of both Mr. Shee and Mr. Lew.

- (ii) What deliberations did the NC have on how the relationships the directors have with the controlling shareholders could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company?

This is especially so for Mr. Lew who has been associated with the controlling shareholders since 1999 and sits on the board of three of their listed companies.

The NC had asked both Mr Shee and Mr Lew regarding their positions at BCI and GAR respectively. Both confirmed that:-

- (i) Their role at BCI and GAR respectively were non-executive in nature;
- (ii) They were both not involved in the day-to-day conduct of the business of BCI and GAR respectively;
- (iii) Mr Shee does not represent the controlling shareholder of BCI, WFMT3 Foundation ("WFMT3"), on the board of directors of BCI and he is not accustomed to nor under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of WFMT3 in relation to the corporate affairs of BCI; and
- (iv) Mr Lew does not represent WFMT2 on the board of directors of GAR and he too is not accustomed to nor under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of WFMT2 in relation to the corporate affairs of GAR.

Further, as stated in answer to the question above, both Mr Lew and Mr Shee had confirmed to the NC that:-

- (i) They are not related to any director of the Company;
- (ii) They do not represent WFMT2 should they be appointed; and
- (iii) They are not accustomed to nor under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of WFMT2 in acting as a director of the Company, should they be appointed.

With specific reference to Mr Lew who sits on the board of two of the listed companies of the controlling shareholders, his answers were as stated above.

By Order of the Board  
SINARMAS LAND LIMITED

Robin Ng Cheng Jiet  
Director  
24 April 2019