



BUKIT SEMBAWANG ESTATES LIMITED

Company Registration No. 196700177M

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Bukit Sembawang Estates Limited (“**BSEL**”, “**the Company**”, together with its subsidiaries, “**the Group**”) would like to thank the Securities Investors Association (Singapore) (“**SIAS**”) for submitting questions ahead of the Company’s 58th Annual General Meeting (“**AGM**”) to be held on 26 July 2024 at 10.30am.

The Company would like to share our responses to the questions as follows:

Question 1

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.

- (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?**

Response

The proportion of the Singaporean and Permanent Resident buyers of the Group’s residential developments are as follows:

Landed Developments:

Nim Collection (Phase 1 and 2) and Pollen Collection:

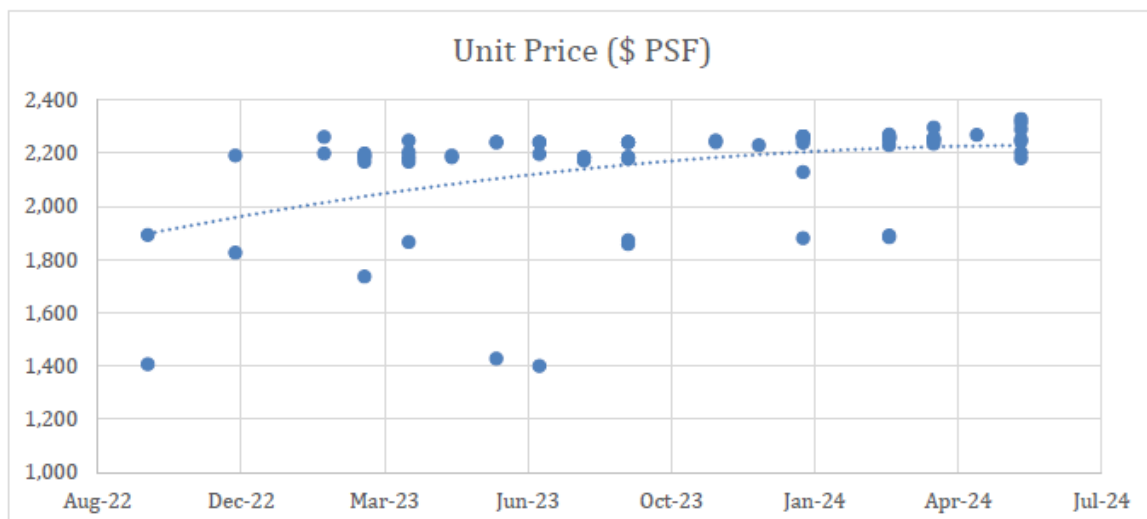
- All buyers are Singaporean

Non-Landed Developments:

1. LIV@MB:
 - Singaporean: 82.6%
 - Permanent Resident: 12.8%
2. The Atelier:
 - Singaporean: 83.3%
 - Permanent Resident: 11.7%

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

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?**

Response

The Group adopts a prudent sales approach for its developments. Sales of landed developments are approached differently than that of non-landed developments, as the quantum is much higher, and the demand is smaller.

For the Pollen Collection, the landed homes are sold in batches so as to maintain a steady supply that will co-relate to the demand. By spreading out the supply and sales of the landed homes, the Group is able to adjust the prices of the landed homes in tandem with the market so as to achieve target average selling price for the development. The Group continuously monitors the landed market to meet the demand of the primarily Singaporean purchasers.

- (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?**

Response

Pollen Collection is marketed exclusively by our carefully selected and very experienced team of in-house sales consultants at our Flagship Gallery, located along Ang Mo Kio Ave 5. The in-house team is specially trained to handle discerning customers of our landed developments.

For non-landed developments, the Group appoints real estate agencies to market the developments. These agencies have a wider reach of the market and contribute greatly to the sales of the developments.

Every development by the Group has a unique selling point which helps to make the development more marketable. This unique selling point, conflated with the state of the market and economy at the point of sale would determine the speed of sale and the risk exposure of the Group.

- (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?**

8@BT can only be launched when all the collaterals necessary for sales have been obtained. We are in the process of obtaining the collaterals and expect all the necessary approvals for launch to be obtained by the third quarter of 2024.

Question 2

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?**

Response

Retention of senior employee is always a matter of importance to the Board. The Board and NC give every hire and cessation of senior employee high care and attention. All senior employees receive regular contact, career and work consultation with the Chairman of the Board and other directors, and in the event of resignation, the conduct of exit interviews. The Board noted the context in which the aforementioned employees had ceased their employment and was satisfied that these were not exceptional. The context included expected and satisfactory retirement (Head of Project) and individual career decisions (Chief Operating Officer; General Manager (Marketing & Sales)).

The Board noted and is satisfied that the Group has been able to fill all senior positions with high-quality candidates and has in place succession for them.

- (ii) **Has the relatively high turnover rate in the senior management team affected the group's operations?**

Response

The cessation of the said officers did not materially affect the Group's operation. The Company has in place work systems to address the operational needs arising from key staff resignations including succession plans.

In the cases referred to, the duties and responsibilities of the said officers were handed over effectively and performance of these duties and responsibilities continued unhindered after they left the Company.

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

(iii) Would the group benefit from having a chief financial officer?

Response

In terms of substantive scope of function, the Board is satisfied that the Financial Controller function is adequate to manage the Company's current financial management, operations and control system. The Board is satisfied with the performance of Ms Jacqueline Chang, the current Financial Controller, who is responsible for the Group's finance, accounting and tax matters with more than 20 years of experience in finance and accounting.

The Board will continue to review its needs and where necessary, develop and promote deserving staff to fill larger roles or extend its hiring.

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?

Response

The Nominating Committee and the Board review the circumstances for the appointment of alternate directors where necessary. Having considered the expertise and experience of Mr Chu Leong Tho, the Nominating Committee and the Board are of the view that Mr Chu Leong Tho is appropriately appointed.

Mr Chu's appointment as an alternate director to Ms Fam Lee San enables the Company to draw upon his experience and capabilities in business development and international property fund management as the Company moves towards the acquisition of both development and recurring income assets both locally and internationally. This appointment provides the Company with a very valuable resource and at the same time allows the existing balance of independent directors and non-independent directors on the Board to be maintained.

As an alternate director, Mr Chu is not entitled to remunerations, but bears all duties and responsibilities borne by and is subject to the same rules and procedures as all directors of the Company.

Ms Fam Lee San continues to commit and give sufficient time and attention to the affairs of the company. It is ascertained that appointing an alternate is no substitute to Ms Fam's obligation to contribute effectively and demonstrate commitment to her role as director.

² <https://links.sgx.com/1.0.0/corporate-announcements/B8ZRE3YC056TO8KQ/498fc1ebaff7dff89d916a5f1fcd978fab62c5d096da5e885d930111dd444c2>

Question 3

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.

Bukit Sembawang (B61/BSES.SI) ▲ 3.530 +0.05 (1.437%)

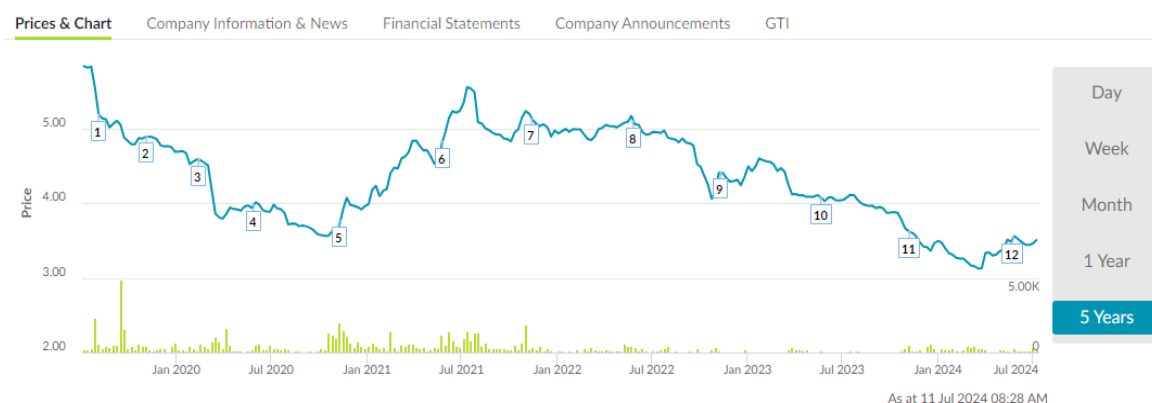
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Industry: Real Estate, Real Estate Development & Operations

This company reports in this currency: SGD

For latest update, please refer to Company Announcements.

Cum Dividend/ Distribution



Overview	Valuation	Financials	Dividends	Ownership
Price/Book Value	0.601	Enterprise Value	588.48M	
Price/Sales	1.626	Price/CF	11.739	
Dividend Yield	1.13	P/E Ratio	12.90	
Dividend Yield 5-yr avg	1.009	Net Debt	-325.48M	

(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?**

Response

The Group adopts a prudent approach to development and has a conservative capital structure with low gearing. The Management strives to ensure that the Company's financial covenants are duly observed at all times.

The Group regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration operating cash flows, capital expenditure, gearing ratio and prevailing market interest rates.

The Board continues to closely monitor the Group's cashflow requirements and expected expenditure as we explore suitable opportunities to supplement our land bank and develop or acquire recurring income assets.

(ii) Is the group over-capitalised?

Response

The strong cashflow position allows the Group to conserve financial resources for further acquisition of properties for development and investments. This also provides the Group with the financial ability to weather uncertainties in the market and enables the Group to move and act swiftly when an opportunity or need arises.

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 focused 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?

Response

The Company adopts a hurdle rate that considers the cost of capital, cost of debt and project risks.

The Board regularly reviews the performance of Management in achieving the agreed goals and objectives and monitors the performance of the company.

(iv) Could the board, particularly the independent directors, explain their efforts to increase corporate value and improve capital efficiency?

Response

The Board continuously reviews and refines its business strategy to increase corporate value and improve capital efficiency.

All the directors participate actively during Board meetings, constructively challenge and help develop proposals on strategy, review the performance of Management in achieving the agreed goals and objectives and monitor the performance of the company.

The Board assesses new investment opportunities identified and ensures that acquisitions are aligned with the Company's long-term objective of creating value for shareholders. Investment financing options are evaluated by the Board to ensure the best and/or right mix of debt and equity that minimises a company's cost of capital. At the same time, the Board monitors the Group's overall credit metrics to ensure compliance with financial covenants especially in light of the current high interest rate environment.

- (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?**

Response

The Group has a healthy land bank and a steady sales pipeline of landed housing and condominiums. It has also in its portfolio a long-term recurring income asset. Together, these drive the Group's revenue generation.

The Group takes a long-term portfolio view of all its development properties and continues to closely monitor prevailing market conditions to determine the appropriate time to purchase additional land, if necessary, to supplement its existing land bank.

The Board will continue to take a forward-thinking approach in achieving sustainable growth while actively seeking opportunities to supplement our land bank to build upon our solid foundation.

By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary
19 July 2024
Singapore