



BUKIT SEMBAWANG ESTATES LIMITED

(Company Registration Number: 196700177M)

(Incorporated in Singapore on 27 June 1967)

Financial Statement and Dividend Announcement for the Second Quarter and Half-year ended 30 September 2018

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) **An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated Statement of Comprehensive Income for the second quarter (2Q FY2018/19) and half year (1H FY2018/19) ended 30 September 2018

	Note	Second quarter			Half-year		
		2Q FY2018/19	2Q FY2017/18	Change	1H FY2018/19	1H FY2017/18	Change
		01.07.2018 to 30.09.2018	01.07.2017 to 30.09.2017 (Restated)*	%	01.04.2018 to 30.09.2018	01.04.2017 to 30.09.2017 (Restated)*	%
		\$'000	\$'000		\$'000	\$'000	
Revenue		113,714	31,916	256.3	179,079	47,763	274.9
Cost of sales		(57,981)	(13,721)	322.6	(91,127)	(26,372)	245.5
Gross profit	1	<u>55,733</u>	<u>18,195</u>	206.3	<u>87,952</u>	<u>21,391</u>	311.2
Other income		2	68	(97.1)	34	75	(54.7)
Administrative expenses	2	(1,514)	(1,032)	46.7	(2,768)	(2,002)	38.3
Other operating expenses	3	(2,229)	(1,480)	50.6	(4,669)	(2,818)	65.7
Profit from operations		<u>51,992</u>	<u>15,751</u>	230.1	<u>80,549</u>	<u>16,646</u>	383.9
Finance income	4	90	787	(88.6)	344	1,874	(81.6)
Finance costs		(19)	-	n.m.	(37)	-	n.m.
Net finance income		<u>71</u>	<u>787</u>	(91.0)	<u>307</u>	<u>1,874</u>	(83.6)
Profit before tax ¹		<u>52,063</u>	<u>16,538</u>	214.8	<u>80,856</u>	<u>18,520</u>	336.6
Tax expense	5	(7,012)	(907)	673.1	(12,658)	(1,757)	620.4
Profit after tax and total comprehensive income for the period		<u>45,051</u>	<u>15,631</u>	188.2	<u>68,198</u>	<u>16,763</u>	306.8

n.m. - not meaningful

* Comparative figures have been restated to take into account the retrospective adjustments arising from the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)) as detailed in Section 5 of page 10 and 11.

¹ Profit before tax includes the following:

	Second quarter			Half-year		
	2Q FY2018/19	2Q FY2017/18	Change	1H FY2018/19	1H FY2017/18	Change
	01.07.2018	01.07.2017		01.04.2018	01.04.2017	
	to	to	to	to		
30.09.2018	30.09.2017	30.09.2018	30.09.2017			
	\$'000	\$'000	%	\$'000	\$'000	%
Depreciation and amortisation	(77)	(61)	26.2	(148)	(141)	5.0
Interest income	90	787	(88.6)	344	1,874	(81.6)
Interest expense	(19)	-	n.m.	(37)	-	n.m.
Gain on disposal of property, plant and equipment	-	36	n.m.	-	36	n.m.

n.m. - not meaningful

Notes to the Group's Consolidated Statement of Comprehensive Income:

2Q FY2018/19 vs 2Q FY2017/18

Note 1 – Gross profit

The increase in gross profit was mainly due to higher profit recognised on more development projects.

Note 2 – Administrative expenses

The increase was mainly due to higher professional fees and higher salaries as a result of increase in staff.

Note 3 – Other operating expenses

The increase was mainly due to property tax incurred on unsold units of 8 St Thomas and higher property tax incurred on Lot 12949A due to the conversion of agricultural land into landed housing which are pending development.

Note 4 – Finance income

The decrease in finance income was due to decrease in fixed deposits placed with banks.

Note 5 – Tax expense

The increase in tax expense was mainly due to higher gross profit.

Borrowing costs capitalised in development properties

Borrowing costs capitalised in development properties amounted to \$1.16 m for the half year ended 30 September 2018. There was no borrowing costs for the corresponding period ended 30 September 2017.

1(b)(i) **A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Note	Group		Company	
		30.09.2018	31.03.2018 (Restated)*	30.09.2018	31.03.2018
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Investment property		3,730	3,811	-	-
Property, plant and equipment		243,239	241,284	-	-
Investments in subsidiaries		-	-	312,200	310,000
Deferred tax assets	1	11,656	16,516	-	-
		<u>258,625</u>	<u>261,611</u>	<u>312,200</u>	<u>310,000</u>
Current assets					
Development properties	2	1,035,207	860,491	-	-
Trade and other receivables	3	25,769	61,292	379,571	322,906
Contract assets	4	84,430	2,124	-	-
Cash and cash equivalents	5	76,897	145,634	1,396	99,341
		<u>1,222,303</u>	<u>1,069,541</u>	<u>380,967</u>	<u>422,247</u>
Total assets		<u>1,480,928</u>	<u>1,331,152</u>	<u>693,167</u>	<u>732,247</u>
Equity attributable to owners of the Company					
Share capital		631,801	631,801	631,801	631,801
Reserves		639,639	618,045	41,057	87,973
Total equity		<u>1,271,440</u>	<u>1,249,846</u>	<u>672,858</u>	<u>719,774</u>
Non-current liabilities					
Interest-bearing bank loans	6	117,317	-	-	-
Deferred tax liabilities	7	8,223	2,853	49	49
		<u>125,540</u>	<u>2,853</u>	<u>49</u>	<u>49</u>
Current liabilities					
Trade and other payables	8	68,144	76,810	6,915	11,740
Contract liabilities	9	-	908	-	-
Interest-bearing bank loans	6	13,000	-	13,000	-
Current tax payable	10	2,804	735	345	684
		<u>83,948</u>	<u>78,453</u>	<u>20,260</u>	<u>12,424</u>
Total liabilities		<u>209,488</u>	<u>81,306</u>	<u>20,309</u>	<u>12,473</u>
Total equity and liabilities		<u>1,480,928</u>	<u>1,331,152</u>	<u>693,167</u>	<u>732,247</u>

* Comparative figures have been restated to take into account the retrospective adjustments arising from the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)) as detailed in Section 5 of page 10 and 11.

Notes to the Statement of Financial Position of the Group:**Note 1 – Deferred tax assets**

The decrease was mainly due to utilisation of deferred tax asset balances.

Note 2 – Development properties

The increase was mainly due to increase in development costs capitalised during the period including the purchase of Makeway View.

Note 3 – Trade and other receivables

The decrease was mainly due to the utilisation of deposit on the completion of the purchase of Makeway View.

Note 4 – Contract assets

The increase was due to higher accrued receivables on sales of development projects.

Note 5 – Cash and cash equivalents

The decrease was mainly due to payment of dividends and payments for construction costs of development projects.

Note 6 – Interest-bearing bank loans

The increase was mainly due to utilisation of term loan facility to repay the short-term bridging loan.

Note 7 – Deferred tax liabilities

The increase was mainly due to higher deferred tax provision for units sold but under development.

Note 8 – Trade and other payables

The decrease was mainly due to lower accruals relating to construction costs of the development projects.

Note 9 – Contract liabilities

The decrease was due to no advance billing to purchasers as at 30 September 2018.

Note 10 – Current tax payable

The increase was mainly due to provision of current tax payable on a development project (8 St Thomas) which had obtained TOP and additional sales of completed development projects during the year, partially offset by tax paid.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

	30.09.2018 \$'000	31.03.2018 \$'000
<u>Unsecured</u>		
- Amount repayable in one year or less, or on demand	13,000	Nil
- Amount repayable after one year	Nil	Nil
<u>Secured</u>		
- Amount repayable in one year or less, or on demand	Nil	Nil
- Amount repayable after one year	117,317	Nil

Details of any collaterals

The secured borrowings are collateralised by:

- mortgages on certain development property of the Group;
- assignment of the rights and interest in the sale and purchase agreements, performance bonds, accounts, tenancy agreements, construction contracts and insurances in respect of certain development property of the Group.

- c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Second quarter		Half-year	
	2Q FY2018/19	2Q FY2017/18	1H FY2018/19	1H FY2017/18
	01.07.2018 to 30.09.2018	01.07.2017 to 30.09.2017 (Restated)	01.04.2018 to 30.09.2018	01.04.2017 to 30.09.2017 (Restated)
Note	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	52,063	16,538	80,856	18,520
Adjustments for:				
Depreciation of investment property	41	40	81	81
Depreciation of property, plant and equipment	36	21	67	60
Gain on disposal of property, plant and equipment	-	(36)	-	(36)
Interest income	(90)	(787)	(344)	(1,874)
Interest expense	19	-	37	-
	52,069	15,776	80,697	16,751
Changes in:				
Development properties	56,230	(17,461)	(174,035)	(15,813)
Trade and other receivables	(15,275)	(22,489)	35,449	(32,066)
Contract assets	(82,306)	-	(82,306)	-
Contract liabilities	(908)	9,085	(908)	9,085
Trade and other payables	(2,124)	(3,941)	(6,746)	(11,509)
Cash generated from/(used in) operations	7,686	(19,030)	(147,849)	(33,552)
Interest received	116	653	623	3,174
Tax paid	(359)	(13,052)	(359)	(13,036)
Net cash generated from/(used in) operating activities	1	7,443	(31,429)	(43,414)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	-	45	-	45
Additions to property, plant and equipment	(3,414)	-	(3,942)	(189)
Net cash (used in)/generated from investing activities		(3,414)	45	(3,942)
Cash flows from financing activities				
Dividends paid	(46,604)	(85,441)	(46,604)	(85,441)
Interest paid (including amounts capitalised in development properties)	(1,206)	-	(1,206)	-
Proceeds from borrowings	130,600	-	248,200	-
Repayment of borrowings	(117,600)	-	(117,600)	-
Net cash (used in)/generated from financing activities		(34,810)	(85,441)	82,790
Net decrease in cash and cash equivalents		(30,781)	(116,825)	(68,737)
Cash and cash equivalents at beginning of the period		107,678	353,204	145,634
Cash and cash equivalents at end of the period		76,897	236,379	76,897

Note 1

The net cash outflow for the 1H FY2018/19 was mainly due to payment for the purchase of Makeway View and payments for construction of the development properties and increase in contract assets.

- 1(d)(i) **A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Share capital \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 April 2017, as previously reported	631,801	56,908	588,140	1,276,849
Effect of adopting SFRS(I) 15	-	-	7,720	7,720
At 1 April 2017, restated	631,801	56,908	595,860	1,284,569
Total comprehensive income for the period				
Profit for the period, restated	-	-	16,763	16,763
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Dividends paid	-	-	(85,441)	(85,441)
Total contributions by and distributions to owners	-	-	(85,441)	(85,441)
Total transactions with owners	-	-	(85,441)	(85,441)
At 30 September 2017	631,801	56,908	527,182	1,215,891
At 31 March 2018, as previously reported	631,801	56,908	558,011	1,246,720
Effect of adopting SFRS(I) 15	-	-	3,126	3,126
As 31 March 2018, restated/1 April 2018	631,801	56,908	561,137	1,249,846
Total comprehensive income for the period				
Profit for the period	-	-	68,198	68,198
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Dividends paid	-	(46,604)	-	(46,604)
Total contributions by and distributions to owners	-	(46,604)	-	(46,604)
Total transactions with owners	-	(46,604)	-	(46,604)
At 30 September 2018	631,801	10,304	629,335	1,271,440

Company	Share capital \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 April 2017	631,801	56,908	114,037	802,746
Total comprehensive income for the period				
Profit for the period	-	-	1,468	1,468
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Dividends paid	-	-	(85,441)	(85,441)
Total contributions by and distributions to owners	-	-	(85,441)	(85,441)
Transactions with owners	-	-	(85,441)	(85,441)
At 30 September 2017	631,801	56,908	30,064	718,773
At 1 April 2018	631,801	56,908	31,065	719,774
Total comprehensive income for the period				
Loss for the period	-	-	(312)	(312)
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Dividends paid	-	(46,604)	-	(46,604)
Total contributions by and distributions to owners	-	(46,604)	-	(46,604)
Total transactions with owners	-	(46,604)	-	(46,604)
At 30 September 2018	631,801	10,304	30,753	672,858

- 1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's share capital during the 3 months ended 30 September 2018.

There were no outstanding convertibles that may result in the issuance of shares as at 30 September 2018 and 30 September 2017.

The Company had no treasury shares and subsidiary holdings as at 30 September 2018 and 30 September 2017.

- 1(d)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company had 258,911,326 issued and fully paid up ordinary shares as at 30 September 2018 and 31 March 2018.

The Company had no treasury shares as at 30 September 2018 and 31 March 2018.

- 1(d)(iv) **A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 1(d)(v) **A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

- 2 **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by our auditors.

- 3 **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)**

Not applicable.

- 4 **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in Section 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied in the Group's and the Company's most recently audited financial statements for the year ended 31 March 2018.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted the new financial reporting framework, Singapore Financial Reporting Standards (International) (“SFRS(I)”), and various new standards, amendments to standards and interpretations, which are effective for the financial year beginning on 1 April 2018. Except as disclosed below, the adoption of the new financial reporting framework and the new standards did not result in significant impact on the financial statements of the Group.

SFRS(I) 15 Revenue from contracts with customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. The Group has adopted SFRS(I) 15 using the retrospective approach with practical expedients.

(i) Success-based sales commissions

The Group pays sales commissions to property sales agents for securing property sales contracts for the Group on a success basis. In the past, the Group recognised sales commissions as an expense when incurred. Under SFRS(I) 15, the Group capitalises such incremental costs as a contract cost asset as they are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

(ii) Accounting for contract costs relating to development properties

The Group previously recognised both revenue and cost of sales (including land cost) on development properties sold by reference to the stage of completion of construction activity at the end of the reporting period (percentage of completion method).

Under SFRS(I) 15, the Group recognises revenue from sale of development properties and land cost of the sold units using the percentage of completion method. Construction costs incurred for sold units are, however, no longer recognised as cost of sales using the percentage of completion method. Instead, such costs are recognised as cost of sales as and when they are incurred to the extent of units sold.

Impact on the comparative figures arising from the adoption of new SFRS(I) is as follows:

Consolidated Statement of Comprehensive Income

	Second quarter	Half-year
	2Q FY2017/18	1H FY2017/18
	01.07.2017	01.04.2017
	to	to
	30.09.2017	30.09.2017
	\$'000	\$'000
Increase of cost of sales	(1,856)	(7,678)
Decrease in tax expense	315	1,305
Decrease in profit after tax and total comprehensive income	<u>(1,541)</u>	<u>(6,373)</u>

Consolidated Statement of Financial Position

	31.03.2018	31.03.2017
	\$'000	\$'000
Decrease in deferred tax assets	(298)	(1,581)
Increase/(decrease) in development properties	2,749	(537)
Increase in contract assets	2,124	-
Increase in accumulated profits	3,126	7,720
Increase in deferred tax liabilities	342	-
Increase in contract liabilities	908	-
Increase/(decrease) in trade and other payables	199	(9,838)

6 **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

The basic and diluted earnings per share is computed based on profit for the period and the weighted average number of ordinary shares set out below.

	Second quarter		Half-year	
	30.09.2018	30.09.2017 (Restated)	30.09.2018	30.09.2017 (Restated)
Basic and diluted earnings per share (cents)	17.40	6.04	26.34	6.47

	Second quarter		Half-year	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Weighted average number of shares for calculation of:				
- Basic and diluted earnings per share	258,911,326	258,911,326	258,911,326	258,911,326

7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	30.09.2018	31.03.2018 (Restated)	30.09.2018	31.03.2018
Net asset value per ordinary share	\$4.91	\$4.83	\$2.60	\$2.78

Net asset value per share is calculated based on 258,911,326 ordinary shares at the end of the current financial period and the immediately preceding financial year.

8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (c) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

2Q FY2018/19 vs 2Q FY2017/18

- (1) For 2Q FY2018/19, revenue and cost of sales increased by 256.3% and 322.6% respectively as compared to 2Q FY2017/18.
Gross profit increased by 206.3% as compared to 2Q FY2017/18 was mainly due to higher sales and higher profit recognition on more development projects.

In 2Q FY2018/19, profits were recognised for 8 St Thomas, Nim Collection Phase 1 and 2, and Watercove.
In 2Q FY2017/18, profits were recognised for Skyline Residences and Watercove.
- (2) Higher tax expense in 2Q FY2018/19 as compared to 2Q FY2017/18 was mainly due to higher profit. Net profit after tax was \$45.1 m, an increase of 188.2% as compared to \$15.6 m in 2Q FY2017/18.

1H FY2018/19 vs 1H FY2017/18

- (3) Revenue and cost of sales increased by 274.9% and 245.5% respectively as compared to 1H FY2017/18.
For 1H FY2018/19, profits were recognised for 8 St Thomas, Nim Collection Phase 1 and 2, and Watercove.
For 1H FY2017/18, profits were recognised for Skyline Residences and Watercove.
- (4) Other operating expenses increased by 65.7% mainly due to property taxes paid for unsold properties that have obtained TOP and higher property tax incurred on development projects pending development due to the conversion to landed housing.
- (5) Finance income was \$0.3 m, a decrease of 81.6% as compared to \$1.9 m in 1H FY2017/18. This was due to lower fixed deposits placed with banks.

9 **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The Group did not make any specific forecast previously.

- 10 **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

According to URA real estate statistics the growth in overall private residential property prices slowed to 0.5% in the 3rd quarter 2018, compared to 3.4% increase in the previous quarter. The total number of new residential units sold in the 3rd quarter 2018 was 3,012 units, compared to 2,366 units sold in the previous quarter.

The tightening of property cooling measures by the Government in July 2018, will likely affect the buying sentiment in the Singapore residential property market.

- 11 **If a decision regarding dividend has been made:-**

- (a) **Whether an interim (final) ordinary dividend has been declared (recommended).**

None.

- (b)(i) **Amount per share**

Not applicable.

- (ii) **Previous corresponding period**

Not applicable.

- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

- (d) **The date the dividend is payable.**

Not applicable.

- (e) **The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

- 12 **If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended for the second quarter ended 30 September 2018.

- 13 **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

There is no general mandate from shareholders for IPTs.

14 **Negative confirmation pursuant to Rule 705(5) on Second Quarter Financial Results**

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the second quarter financial results ended 30 September 2018 to be false or misleading in any material aspect.

15 **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1).

BY ORDER OF THE BOARD

**OOI CHEE ENG
COMPANY SECRETARY
12 NOVEMBER 2018**