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RESPONSE TO QUESTIONS FROM SHAREHOLDERS

Bund Center Investment Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") would like to respond to the following questions raised by shareholders relating to the Annual General Meeting ("**AGM**") of the Company convened on 26 April 2021, as follows:

Shareholder 1

Question 1

"The average annual occupancy rate of the Bund Center office has been declining over the past few years (from more than 90% to 79.4%). Does management foresee such occupancy rates to decline further in the coming years based on current office market outlook in Shanghai?"

Company's response:

The market supply of grade A office space is higher than the market demand in Shanghai in recent years. The management has swiftly adopted aggressive marketing strategies to attract potential tenants and to retain the existing tenants so as to improve the occupancy rate of the Bund Center.

Question 2

"Regarding Golden Center at Ningbo, the annual report states that "the business strategy is to engage a prospective operator with a good business track record for a strategic partnership by leasing the entire Golden Center to them to optimize the shareholders' value". Has there been any expression of interest from 3rd parties to lease the entire building? What is the current progress and when does management expect to successfully implement this strategy?"

Company's response:

The Company has already signed a 10-year Lease Tenancy Agreement with a strategic partner as the Anchor Tenant.

Question 3

"Based on annual report Page 72, external valuation reports dated 10 March 2021 by Jones Lang LaSalle were done using a combination of market data approach and income capitalisation approach. In 2019, only the market data approach was used. Could mgmt explain why there was a change in valuation method? Would it be possible for the company to release the full valuation report for the benefit of shareholders?"

Company's response:

The valuation method is based on the valuation requirements of Jones Lang LaSalle. As part of the audit procedures, the external statutory auditor, Moore Stephens LLP, has considered the scope of work and the reasonableness of the valuation methodologies used by the external valuers to determine the fair value of the properties and found the fair value to be within a reasonable range.

The external desk-basis valuation reports for the Group's investment properties will be made available for inspection at the Company's correspondence address at 3 Shenton Way, #17-07 Shenton House, Singapore 068805 during the normal business working hours for 3 months from the date of issue of our Annual Report 2020.

Cont'd Shareholder 1

Question 4

"Does the company foresee any major capex in the coming years in relation to its existing properties?"

Company's response:

Given the Group's current lower profit for FY2020 and the uncertainty surrounding COVID-19 pandemic, the Group must take on a prudent approach with regards to the cost containment measures and conserving cash to fund its business operation requirements but will gradually undertake capital refurbishment of its existing properties, where needed.

Question 5

"Based on company's response regarding share buyback during last year's AGM, it is said that "share purchases will only be effected if circumstances permit, and if it is beneficial to the Company and shareholders".

Given that the company is in a net cash position in excess of SGD 150m, owns properties valued in excess of SGD 1.8b based on last valuation, market cap of approximately SGD 400m, it would certainly be hugely beneficial to the company and shareholders if the company were to actively undertake share purchases. However, despite having the mandate, ample cash resources and significantly undervalued share prices, the company has not done any share buyback since September 2015.

Can management explain in detail what conditions need to be met for the company to be willing to do share buybacks? Even if the company wishes to conserve cash for other investment purposes, the company can easily just set aside SGD 10m cash for buybacks and still have more than SGD 140m for acquisitions. Moreover, based on company's market cap which is less than 25% of the value of its properties, I do not believe there are better investment opportunities out there which offers more than 400% return immediately."

Company's response:

The Company is guided by the approved shareholders' share purchase mandate to purchase its issued shares only if circumstances permit and subject to market conditions.

Purchases of shares by the Company will only be made in circumstances where it will be in the best interests of the Company.

The surplus cash currently placed in the structured deposits with the financial institutions (except when used for distribution of dividends) cannot be repatriated out of China due to stringent and restrictive regulatory controls of the State Administration of Foreign Exchange (SAFE).

Question 6

"Last but not least, I would like to urge management and independent directors to give greater consideration to minority shareholders in terms of capital allocation and business decisions. Many long term shareholders since 2013 have seen the share price decline gradually each year despite the company being in a much better financial position now. Yet, the company is not doing any significant share buybacks and also dividend payouts have remained low while excess cash is being accumulated in the company."

Company's response:

The Board recognises the interests of all stakeholders (including shareholders) are essential as part of value creation for the Company. The Company from time to time proactively engages with various stakeholders in order to review and assess the material topics relevant to the Company's business activities and gather feedback on the sustainability issues which are most important to them. There is already in place a process to identify major stakeholders, their needs and effective communication channels to engage these stakeholders.

Shareholder 2

Question 1

"Could the board do a business update via a presentation to shareholders?"

Company's response:

Financial highlights for the financial year ended 31 December 2020 were presented to all shareholders during the 2021 webcast Annual General Meeting.

Question 2

"Could the board consider formalising a dividend policy?"

Company's response:

Please refer to page 36 of the Company's Annual Report 2020 on dividend policy. The dividend payment is based on management recommendations. The Directors determine on a quarterly basis the amount, if any, of dividends to be declared taking into account all relevant factors. Any payouts will be clearly communicated to shareholders via announcements posted on SGXNET.

Question 3

"As the cash is building up in the company, could the board be more generous with dividends payout eg 3-4c per year?"

Company's response:

The Group has a dividend policy without a fixed pay-out ratio but has been rewarding shareholders with dividend since 2012. Based on the management recommendations, the Directors determine on a quarterly basis the amount, if any, of dividends to be declared taking into account all relevant factors. The Group will continue to review and consider dividend declaration vis-à-vis our cash flow position.

We wish to emphasize that we remain committed to rewarding our loyal shareholders for their unwavering support. The Company has paid an interim cash dividend of 2 Singapore cents per ordinary share on 1 December 2020.

Shareholder 3

Question 1

"Despite the impact of COVID-19, Bund Center has a strong financial position and net cash of $159.9m. Cash continues to build up every year as the group earns a steady stream of rental income from its Bund Center complex. Could the group consider paying out some of the excess cash as it has sat on the cash for many years without a clear timeline to deploy it?"

Company's response:

Given the Group's current lower profit for FY2020 and the uncertainty surrounding COVID-19 pandemic, the Group must take on a prudent approach with regards to conserving cash to fund its business operation requirements, while exploring any opportunistic investment during this difficult economic time.

In addition, the surplus cash currently placed in structured deposits with financial institutions in China (except when used for distribution of dividends) cannot be repatriated out of China due to the stringent and restrictive SAFE regulatory controls.

Question 2

"The leases on the group's assets in China will run out in 2045 and there could be uncertainty as we move closer to the date. Would the board consider selling its assets when the market is good?"

Company's response:

We are an investment holding company whose business activities are principally engaged in (1) the ownership of the Westin Bund Center Shanghai, a five-star hotel in Shanghai that is currently managed by Marriott International, and (2) the ownership and management of commercial and retail properties, namely the Bund Center Office Tower in Shanghai and the Golden Center, a six-storey retail complex in Ningbo Zhejiang Province.

Since 2002, the Group has been operating its business activities with a good track record and will continue its business operations as long as it is possible.

Question 3

"Bund Center is trading at a substantial discount to its NTA/share, which is in excess of $2/share. What is the group doing to close the gap between the stock price and the NTA?"

Company's response:

Please refer to page 6 of the Appendices to the Notice of AGM on NTA per share. The Group NTA per share and share price are parallel as at 31 December 2020 at $0.5945 and $0.520 respectively.

While the Group is taking on a prudent approach in managing its business operation to preserve the Group NTA amidst the uncertainty surrounding COVID-19 pandemic, the share price is nevertheless subject to market demand and supply.

Question 4

"Bund Center has been listed via a distribution in specie in 2010 and has since remained essentially the same for the past 10 years, holding the same assets over this period. What is the purpose of having a listing in the board's view? Is it due to higher profile or ability to access the credit market at lower rates?"

Company's response:

Since listed in 2010, our Group has established business directions, strategies, and objectives to compete more effectively in the China market. Our strategy is operationally flexible with swift execution capabilities to take advantage of investment opportunities in the China property market in order to capitalise on the returns as and when an opportunistic investment arises.

Cont’d Shareholder 3

The strategic direction of the Group has always been under the consideration of the Board but regrettably there has not been a strategic fit, thus far, in the Group’s appetite for any profitable investment project previously under evaluation, in view of the uncalculated risks and uncertain volatility of China business environment in which the Group operates. On this basis, the Group has been very conservative, cautious and strict in formulating a project investment criteria policy in China so as to optimize shareholder’s investment value.

Notably the inherent challenging issues facing the Group in ascertaining a very effective investment decision, mainly arise from the surplus cash, currently placed in the structured deposits with the financial institutions, except where used for distribution of dividends, cannot be repatriated out of China for any business divestment as a result of the stringent and restrictive SAFE regulatory controls imposed and unfavorable tax policy, making the Group passively waiting for identifying suitably conducive business investment opportunities under a comparatively high operating cost environment.

Additionally, the current Covid-19 pandemic situation and China macro-environmental factors are also a negative deterrence in the Group’s investment decision since its economic indicators have not been sustainably resilient i.e., declining GDP growth year-on-year, unattractive foreign investment policy, oversupply in real estate industry and unfriendly Labor Law with relatively rising labor costs.

Shareholder 4

Question

"Re: Income Statement
Why operating margin down trend in FY2020?"

Company's response:

The Group's gross profit decreased from S$57.4 million in FY2019 to S$24.8 million in FY2020 in line with significant lower hotel revenue contribution, while certain expenses in cost of sales, such as depreciation expenses, had remained fairly constant. Consequently, the Group's gross profit margin decreased from 52.0% in the previous year to 36.0% in FY2020.

Please refer to our Full Year Financial Announcement made on 25 February 2021 for further explanatory details.

By Order of the Board
Bund Center Investment Ltd

Frankle (Djafar) Widjaja
Executive Chairman and Chief Executive Officer
26 April 2021