



BUKIT SEMBAWANG ESTATES LIMITED

Company Registration No. 196700177M

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FOR ANNUAL GENERAL MEETING 2021

Bukit Sembawang Estates Limited (“BSEL”, “the Company” or together with its subsidiaries, “the Group”) would like to thank our shareholders for submitting questions ahead of the Company’s 55th Annual General Meeting (“AGM”) to be held through electronic means on 28 July 2021 at 10.30am.

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

- A. Strategy
- B. Financials
- C. Impact of COVID-19
- D. Project Sales and Development
- E. Board and Management
- F. Dividends
- G. Substantial Shareholders

A. Strategy

1. **Can the Board share on how is the plan to build up the recurring income business segment vs the income generating development business? What is current ratio between these 2 and what is the desired target ratio? Has the company set a growth target or strategy or vision for what it intends to achieve over the next 3-5 years?**

[Response](#)

The Group has a healthy land bank and a steady sales pipeline of landed housing and condominiums. It also has in its portfolio, a long term recurring income asset, namely Fraser Residence Orchard Singapore, and these together drives the Company’s business income. For the year ended 31 March 2021, property development contributed to more than 90% of the Group’s revenue.

The Group does not have any specific acquisition target even as it continues to seek out, for purposes of acquisition, high yield properties to build up its recurring income segment to complement the income derived from the property development segment.

The Group will also continue to strengthen its land bank through acquisitions via en-bloc sales and government land sales, keeping in view, an appropriate gearing level to ensure sustainability and to create long term value for our stakeholders.

2. **There have been more active effort to work our balance sheet harder since 2017/19, embarking on some high rise commercial and residential development. What have change? What is the thinking behind these effort and can you share what is the long term vision of this strategy will pan out?**

[Response](#)

The Group does not have any high rise development designated for commercial use. Please refer to the Company’s response to question A1.

3. **For Fraser Residence Orchard Singapore, the revenue generated last year was \$7.5m. Is there a fixed rental lease that the Group is receiving from Frasers Hospitality and how long is the lease?**

Given the low yield, has the Group changed its stance in relation to building recurrent income stream via Capex intensive investment properties versus developing more high end projects for sale that the Group has built a good track record upon?

[Response](#)

The rental income derived from Fraser Residence Orchard Singapore is not a fixed amount. The Group has entered into a Management Agreement with Frasers Hospitality, to remunerate them on the basis of management fees at agreed rates, for an initial operating term of 10 years, subject to review, with an option for extension.

The Group views the serviced apartment segment as part of a long-term business model to provide sustainable recurring income to the Group, and does not currently have any intention of divesting Fraser Residence Orchard Singapore. In the interest of sustainability, the Group endeavors to work with reputable business partners, one of which is Frasers Hospitality. The recurring income segment will continue to complement the property development segment of the Group.

4. **With average size per project of high rise increases in Singapore, moving towards S\$1bn per plot of Government Land Sales (“GLS”). What is our options to remain relevant given our bite size Gross Development Value (“GDV”) at around S\$600m?**

[Response](#)

The Group takes a long-term portfolio view of all its development properties and is continuously reviewing market conditions to determine the appropriate time to purchase land to replenish its land bank. This will be carried out through acquisitions via en-bloc sales and government land sales, keeping in view, an appropriate gearing level to ensure sustainability and to create long term value for our stakeholders.

B. Financials

1. **Has the development at 8 St Thomas been fully sold and the sales proceeds fully received?**

[Response](#)

The Group has achieved 99.6% sales at 8 St Thomas. The sales proceeds have not been fully collected as a number of the units were sold with deferred payment schemes.

2. **Please confirm if completed properties under Note 8 of the Notes to Financial Statements have mostly been sold apart from 1 unit at St Thomas as of 21 June 2021 and profits will be booked once sales are completed?**

[Response](#)

The Group has almost fully sold its stock of units for all of its completed developments as at the Financial Year ended 31 March 2021. Profits will be recognised in the subsequent financial year upon completion of the respective sales.

3. **Refer to page 81 of Annual Report, Note 5 of the Notes to Financial Statements, please provide details of the Freehold Properties stated at \$184,338,000 in Property, Plant and Equipment? Which Freehold Properties are impaired to the tune of \$44,109,000?**

[Response](#)

The Freehold Properties relate to Fraser Residence Orchard Singapore. For details, please refer to page 109 of Annual Report under Property Owner.

4. **Refer to page 86 of Annual Report, Note 8 of the Notes to Financial Statements, please provide details of cost of land, development costs incurred to year end and the amount of interest capitalised?**

[Response](#)

The Group is unable to provide details of cost of land and development costs incurred till date, due to commercial sensitivities.

The Group has ceased capitalization of borrowing costs on its development properties.

5. **With reference to St Thomas Walk on page 108 of the Annual Report, where was the total carrying amount of the balance units stated on the balance sheet? Have these balance units been sold after 21 June 2021?**

[Response](#)

The carrying amount of the remaining unsold units of St Thomas Walk has been included under completed units in Note 8 of the Notes to Financial Statements for the year ended 31 March 2021. As of 21 June 2021, a total of 249 freehold homes or 99.6% of 250 units have been sold at 8 St Thomas.

Sale proceeds from the last remaining unit after 21 June 2021 will be accounted for in the Financial Year ending 31 March 2022.

6. **The Nim Road/AMK Avenue 5 tracts of land – estimate 220k Sq M, what is the carrying book value per Sq M?**

[Response](#)

We are unable to disclose the carrying book value per Sq M, due to commercial sensitivities.

7. **What is the carry cost of investment for Fraser Residence Orchard Singapore after the impairment? Why the decision and what sort of Revenue Per Available Room (“RevPar”) and occupancy are needed to be profitable at this new carrying cost?**

[Response](#)

The carrying cost of Fraser Residence Orchard Singapore is approximately \$203 million which is included under Freehold Properties, Furniture, Fittings and Equipment and Plant and Machinery, as set out in Note 5 of the Notes to Financial Statements, on page 81 of the Annual Report. The Group views the serviced apartment segment as part of a long-term business model to provide sustainable recurring income to the Group and to complement the property development segment of the Group. The profitability of the asset is determined on the long term basis and is not based on RevPar nor occupancy.

C. Impact of COVID-19

1. **Has there been a significant rise in construction costs for the Group's development projects, given the disruption in the foreign labour market due to COVID-19?**

[Response](#)

The Group's development projects has been impacted by the COVID-19 pandemic.

Construction cost is expected to rise significantly due to the disruption in the foreign labour market and the increased cost of building materials.

- 2. Please confirm if properties under development under Note 8 of the Notes to Financial Statements mainly relate to The Atelier, LIV @ MB and The Pollen Collection, and how are the construction works progressing on these projects as a result of industry wide COVID-19 disruptions?**

[Response](#)

Properties under development under Note 8 of the Notes to Financial Statements mainly relate to The Atelier, LIV @ MB and Pollen Collection.

The Group's development projects have been impacted by the COVID-19 pandemic.

Construction cost is expected to rise significantly due to the disruption in the foreign labor market and the increased cost of building materials.

Construction works have also been disrupted and the completion dates are expected to be extended due to the industry wide disruptions.

D. Project Sales and Development

- 1. The Group currently has 2 non-landed development properties, Atelier and LIV @ MB. These are recently acquired landbanks in 2018, but the Group has yet to achieve meaningful sales or has been slow to launch compared to peers. The government has given 5 years to developers to sell and any further extension in timeline due to COVID-19. Is the Group planning to accelerate sales to avoid any potential penalty and also to take advantage of the resilient property market?**

[Response](#)

The Group believes that high quality and uniquely designed properties will always be highly sought after even during challenging market conditions. A steadfast approach remains high priority for the Group as we focus on delivering long-term sustainable value to our customers and stakeholders.

The Group takes a long-term portfolio view of all its development properties and will carefully review the market condition to determine the appropriate time for the launch of any of its development projects such as The Atelier and LIV @ MB.

The Group is mindful to maintain a good supply and demand balance with a stable cash flow of the Group, and shall continue to adopt a prudent and measured stance and pace the sale of its development properties to avoid any potential penalties.

- 2. Are there any plans and approximate time to launch the next phase of Luxus Hills?**

[Response](#)

The next phase of Luxus Hills is currently planning-in-progress.

The Group takes a long-term portfolio view of all its development properties and will carefully review the market conditions to determine the appropriate time for the launch of any of its development projects such as Luxus Hills.

The Group is mindful to maintain a good supply and demand balance with a stable cash flow of the Group, and shall continue to adopt a prudent and measured stance and pace the sale of its development properties.

3. **Refer to page 107 of Annual Report under Lots 9425C and Lots 17640K, please provide details of Phases 1-7 and 13-15. Phase 8,9 and 16 are stated as 100% completed but under "Description" they are stated as "Building plans have been approved". Are these phases completed?**

[Response](#)

As stated under Properties of the Group "Description" on page 107 of Annual Report, for Luxus Hills development Phases 1 to 9 and 16, both the Building plans have been approved and the main building work were completed. Our Luxus Hills development does not consist of Phases 13 to 15.

As clarified on page 106 of the Annual Report 2020, Luxus Hills Phase 16 was formerly referred to as Phase 10. Thus, the completed Luxus Hills development consisted of only Phases 1 to 9 and 16 as stated on page 107 of the Annual Report 2021. All future phases of Luxus Hills development have been subsumed and re-parcelled into Phases 10, 11 & 12 henceforth Phases 13 to 15 no longer exists.

4. **Refer to page 107 of Annual Report under Lot 18257X - Phase 1 and Phase 2, these are stated as 100% completed but this contradicts the remarks under "Description" that only the main buildings were completed. Are the two Phases completed?**

[Response](#)

Yes, the 2 Phases have been completed.

5. **Refer to page 108 of Annual Report under Lot 18415A, what about Phase 1 and 2? Under "Future phases", please indicate Gross Floor Area ("GFA") based on past experiences.**

[Response](#)

Please refer to Properties of the Group "Description" on page 107 of Annual Report, Phases 1 and 2 are under Lot 18257X. Phase 3 and the future phases are in Lot 18415A/18416K/16449W MK 18 at Nim Road/Ang Mo Kio Avenue 5/CTE, as listed on Page 108 of Annual Report.

The future phases are still under design and development stage; thus, the GFA is still subject to finalization and URA approval.

6. **Refer to page 108 of Annual Report under Lot 9934W, why is the GFA only approximately 20% of the Site Area?**

[Response](#)

As future phases are still under the design and development stage; the GFA is still subject to finalization and URA approval.

7. **In Business Times of 8 June 2021, it is stated that the company has an estimate 240,000 Sq M of land bank but referring to Page 108 of the Annual Report, the figure does not seem to add up to support this number. Please state the land bank that the company has.**

[Response](#)

Please refer to Properties of the Group on page 107 and 108 of Annual Report. The Group has a land bank of 236,990 Sq M. It comprises future phases of our landed and non-landed developments, which are yet to be launched.

8. **It appears that selling price per unit at S\$3-3.5m have been a trend for the past 5-7 years, is that a fair observation? What could allow us to push for high selling price?**

[Response](#)

The selling prices for landed homes are driven by a multitude of factors, which include prevailing market sentiments, supply and demand, as well as the intrinsic value placed by buyers on the development itself.

The price is dictated by which the market deems as fair value and reasonable. The prices of landed properties have been gradually increasing due to higher land value and construction costs. The Group develops properties that meet with the market needs and price the properties accordingly.

9. **150 Sq M plot for 4k – 4.2k Sq Ft build up per landed property. Is there a limit of how much more we can push? Say increase plot ratio?**

[Response](#)

The maximum GFA for landed properties is determined by the URA's envelope control. The Group develops landed homes on the basis of the needs of its customers, taking into consideration affordability. A larger built up area may render the property too expensive for potential buyers.

10. **What are the Gross Development Value ("GDV") of The Atelier, 8 St Thomas, LIV @ MB?**

[Response](#)

The Group is unable to provide details of GDV due to commercial sensitivities.

E. Board and Management

1. **Has the Group appointed a CEO and CFO to replace the outgoing executives? If not, why? Running a property company well is a full-time job and requires excellent judgement in land banking and selling, etc. Could the Group put in its best efforts to secure a strong management team to lead the Group to greater heights?**

[Response](#)

The Board is in the process of searching for the appropriate CEO to lead and strengthen the management team. As the CEO is a key senior executive, the Board is carefully evaluating potential candidates to ensure suitability and fit into the Group. Once the appointment is finalised, the Board will make the necessary announcements.

In the interim, the Board is working closely with the senior management team to execute the Group's strategies and to ensure the long-term success of the Group.

F. Dividends

1. **Has the Board reviewed if the Group has the capacity to lift base ordinary dividend payout?**

[Response](#)

The proposed dividends are determined by the Board after taking into account the Group's performance, the cash position and the need to preserve financial strength for growth and reinvestments.

The Company endeavors to balance dividend return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure. The Company also strives to provide shareholders with sustainable ordinary dividend on an annual basis.

G. Substantial Shareholders

- 1. Refer to page 111 of Annual Report, what are the relationships among these substantial shareholders? If they have no legal relationship, please state so.**

Response

Kallang Development (Pte) Limited is a subsidiary of Lee Rubber Company Pte Ltd. As disclosed under footnote 4 on page 111 of the Annual Report, Lee Pineapple Company (Pte) Ltd has a deemed interest in the Company's shares through its material shareholding in Singapore Investments Pte Ltd. The substantial shareholders as disclosed, namely Lee Rubber Company Pte Ltd, Lee Pineapple Company (Pte) Ltd, Singapore Investments Pte Ltd and Selat Pte Limited, have common shareholders.

By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary
27 July 2021
Singapore