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RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Bund Center Investment Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") would like to respond to the following questions raised by Securities Investors Association (Singapore) ("**SIAS**") to the Company, on 16 April 2020, as follows:

SIAS QUESTIONS:

Q1. The group's prime assets in Shanghai performed relatively well, with the Bund Center Office Tower maintaining a high average annual occupancy of 86.5% (page 14 of the annual report) and the hotel achieving an occupancy rate of 79.2% (page 17). Net cash generated from operating activities amounted to $43 million and the group holds cash and cash equivalents of $159.5 million as at 31 December 2019. The group is in a net cash position of $160.8 million (page 89 of the annual report). In fact, the group has been in a net cash position since FY2010.

(i) For the benefit of new and long-standing shareholders, would the board clarify on the group's strategic direction? Specifically, what are the group's growth plans, if any?

Company's Response Q1(i)

The strategic direction of the Group has always been under the consideration of the Board, in particular with Independent Director, Mr. Willy Shee, formerly Asia Pacific Head of Real Estate Division, CBRE; 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, which is not easily repatriated out of China for any business divestment as a result of the increasingly 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, 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 y-o-y, unattractive foreign investment policy, oversupply in real estate industry and unfriendly Labor Law with relatively rising labor costs.

(ii) Has management evaluated good assets that may be available as an opportunistic acquisition during this challenging time?

Company's Response Q1(ii)

Prior to the coronavirus pandemic outbreak in January 2020, the management had carefully conducted a detailed evaluation on a potential project in Hangzhou, situated in Century City Hangzhou, a landmark development in a growing market area known as the new CBD with the focus off Shanghai into this enriching commercial and leisure district. It was favored as sustainable growth in valuation due to the entry benefits on land cost and potential asset enhancement delivered through the mixed-use project. However, the major risk inherent in this potential project lies with the uncertainty and volatility of the Hangzhou Office Leasing Market which assumptions are based on the overly market optimism in spite of its oversupply condition in its vicinity. Shortly after we conducted project appraisal and due diligence for decision not to proceed, the coronavirus pandemic out broke in China.

(iii) Has the board evaluated its capital allocation framework and re-examined its capital structure, and consider returning excess capital to shareholders so as to maximise shareholders' value?

Company's Response Q1(iii)

The Board has reviewed this capital allocation framework evaluation and capital structure re-examination as and when it is required, but it decides to conserve cash resources, should an opportunistic investment arises, during this difficult economic time. Moreover, any property business investment is relatively capital intensive.

Q2. In Note 7 (page 75 – Other operating income), the group recognised $604,000 in net foreign exchange gain in FY2019. In FY2018 and FY2017, the group recognised net foreign exchange losses of $(3.166) million and $(1.719) million respectively.
The RMB:SGD exchange rates at the end of FY were:
- 31 December 2016: 4.8038
- 31 December 2017: 4.8478
- 31 December 2018: 5.0292
- 31 December 2019: 5.1775

(i) Can management help shareholders understand the reasons for the relatively large movement in foreign exchange gains/(losses) from one financial year to another?

Company's Response Q2(i)

The entities of the Group have difference functional currencies, which are SGD, RMB, USD, HKD.

The foreign exchange gain/loss reported in the Group's financial statements arose from those transactions and balances denominated in currencies, mainly USD, RMB and SGD which are not the functional currency of the respective group entities. Accordingly, the Group has currency exposures from SGD against USD, RMB against USD, HKD against RMB and RMB against SGD.

The movement of the foreign exchange gain/loss recorded in the Group's financial statements for FYE 2019, 2018 and 2017, were mainly due to significant currency fluctuation in the respective financial years, which details of the year end exchange rates used by the Group are as follows:

Exchange Rate used at the end year	*FY2019*	*FY2018*	*FY2017*	*FY2016*
SGD/USD	*1.347*	*1.364*	*1.337*	*1.447*
RMB/USD	*6.976*	*6.863*	*6.534*	*6.937*
HKD/RMB	*1.117*	*1.139*	*1.201*	*1.116*
RMB/SGD	*5.181*	*5.050*	*4.878*	*4.808*

Q3. Provision 2.2 of the Code of Corporate Governance 2018 states the following:
Independent directors make up a majority of the Board where the Chairman is not independent
The company has stated that given the size and operations of the group, the board considers it "not necessary or cost-effective for the time being to have independent directors make up a majority of the Board" (page 27).

(i) Would the independent directors help shareholders understand their individual and collective contribution to the group?

__Company's Response Q3(i)__

Our 3 Independent Directors are the respective chairman of the 3 board committees, namely, Audit Committee, Nominating Committee and Remuneration Committee. They contribute to the enhancement of the Company's Corporate Governance practices and ensure that the interests of minority shareholders are protected. They participate in all board discussions relating to strategic matters of the business, growing the business both organically and inorganically e.g. via acquisition. Ideas were put forth by the Independent Directors which resulted in strategic review of our shopping mall in Ningbo.

If approved at the AGM, the three independent directors would receive directors' fees of $281,000 for the financial year ended 31 December 2019. On average, each director would receive approximately $94,000 for the financial year.

The group's property portfolio has a valuation of approximately $1.865 billion (valuation dated 18 February 2019) (page 5).

(ii) Can the independent directors justify why the board considers it "not necessary" or "cost-effective" to have one more independent director to comply with Provision 2.2 of the 2018 Code?

__Company's Response Q3(ii)__

This matter was discussed and debated by the Board of Directors ("Board") at Board Meetings. The Board is of the view that the Group's existing business, namely comprising revenue from a 5 Star Hotel, rental revenue from an Office Complex, and rental revenue from a shopping mall, does not justify having an additional Independent Director on the Board. Our Lead Independent Director and other 2 Independent Directors are in regular dialogue with our Executive Chairman, Deputy Chief Executive Officer and Chief Financial Officer on strategic matters that may have impact on the Groups' business. As a responsible Board, we aspire to score well in the annual Governance Transparency Index ranking and this issue is being looked into and discussed on a regular basis.

(iii) Has the board considered alternate means to comply with Provision 2.2?

Company's Response Q3(iii)

This issue is under the radar of the Nominating Committee and is being raised regularly.

By Order of the Board
Bund Center Investment Ltd

Frankle (Djafar) Widjaja
Executive Chairman and Chief Executive Officer
25 April 2020