



RESPONSE TO QUESTIONS FROM SHAREHOLDER

Bund Center Investment Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) would like to respond to the following questions raised by a shareholder, by email, relating to the Annual General Meeting of the Company to be convened on 27 April 2020, as follows:

Questions

- 1) The management has reduced the dividend amount and pay-out ratio for 2019 despite the company having improved earnings and cash balances.
- i) How is the company planning to use the excess cash? Please kindly provide a more detailed answer rather than just saying it is conserving cash for future investment opportunities.

Company’s response:

During this current crisis of coronavirus pandemic, there is a high degree of uncertainty which is expected to have a material impact on the business market sentiments and operating environment in which the Group operates, particularly a temporary closure of hotel business operations until to-date, in compliance with the mandatory directives issued by the Chinese Authority for the safety and health of our guests, visitors and employees. The Group needs to conserve cash resources for its working capital and business operation requirements, but not limited to any good investment to drive business growth in China. However, surplus cash currently placed in structured deposits with the financial institutions (except when used for distribution of dividends) is not easily repatriated out of China for business divestment as a result of the increasingly stringent and restrictive SAFE regulatory controls imposed. At this time of Covid-19 pandemic crisis, cash is considered more so to be King!

- ii) What is the company's policy in terms of dividend pay-out ratio going forward?

Company’s response:

The Group has a dividend policy without a fixed pay-out ratio but has been rewarding shareholders with dividends since 2012. Based on management recommendations, the Directors determine 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. Any payouts will be clearly communicated to shareholders via announcements posted on SGXNET. Please refer to page 45 of the Company Annual Report 2019.

- iii) If no opportunities can be found, will the management consider doing capital reduction/special dividends?

Company’s response:

The management has reviewed 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.

- 2) The company's market capitalization is at a huge discount to the value of its properties (close to 80%).
- i) Is there any plan to reduce the discount?

Company's response:

This question is related to the accounting policy of treating financial assets by the adoption of fair value model, which requires the Group to fair value its qualifying properties as at every reporting period, with the increase or decrease taken to profit or loss. Most of the time, the changes in fair value are due to external factors which are beyond the Group's control. By adopting the fair value model, the profit or loss of the Group will be subject to greater volatility. Hence, the Group has not adopted the fair value model. But to ensure that the shareholders or potential investors are aware of the fair value of our properties, we have tabulated a summary on page 5 of Annual Report 2019.

- ii) The company used to be quite active in doing share buybacks. Why has it stopped and is there any plan to restart it?

Company's response:

Based on the Share Purchase Mandate, the Company will have the ability to carry out purchases of its issued shares at any time and from time to time, if and when circumstances permit. Share purchases will only be effected if circumstances permit, and if it is beneficial to the Company and shareholders.

- 3) The property leases of Bund Center and Golden Center are expiring in 2045, which is 25 years from now.
- i) Can management explain if the value of the land/properties will become zero in year 2045?

Company's response:

When the property leases of Bund Center and Golden Center expire in 2045, the value of these properties will not become zero in the year 2045. However, the Chinese Government will, upon its lease expiry, impose a certain fee on the extension of its leasehold period.

- ii) The Company is generating approximately SGD 50m of cash flow annually. Even if we use zero discount rate for future cash flows, 25 years of cash inflow only amounts to SGD 1.25b, far below the valuation of SGD 1.86b. If so, why is the company not selling the properties rather than holding them for rental?

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 Westin Hotel Management, 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 of profitability and the Group will continue its business operations as long as it is possible.

By Order of the Board
Bund Center Investment Ltd

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