



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 2019

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 FY2019/20) and half-year (1H FY2019/20) ended 30 September 2019

	Note	Second quarter			Half-year		
		2Q FY2019/20	2Q FY2018/19	Change	1H FY2019/20	1H FY2018/19	Change
		01.07.2019 to 30.09.2019	01.07.2018 to 30.09.2018	%	01.04.2019 to 30.09.2019	01.04.2018 to 30.09.2018	%
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		141,062	113,714	24	218,724	179,079	22
Cost of sales		(73,895)	(57,981)	27	(117,909)	(91,127)	29
Gross profit	1	67,167	55,733	21	100,815	87,952	15
Other income		6	2	200	6	34	-82
Administrative expenses	2	(2,140)	(1,514)	41	(4,022)	(2,768)	45
Other operating expenses	3	(3,530)	(2,229)	58	(7,548)	(4,669)	62
Profit from operations		61,503	51,992	18	89,251	80,549	11
Finance income	4	577	90	541	757	344	121
Finance costs	5	(4,457)	(19)	n.m.	(7,189)	(37)	n.m.
Net finance (costs)/income		(3,880)	71	n.m.	(6,432)	307	n.m.
Profit before tax ¹		57,623	52,063	11	82,819	80,856	2
Tax expense	6	(13,020)	(7,012)	86	(16,189)	(12,658)	28
Profit after tax and total comprehensive income for the period		44,603	45,051	-1	66,630	68,198	-2

n.m. - not meaningful

¹ Profit before tax includes the following:

	Second quarter			Half-year		
	2Q FY2019/20	2Q FY2018/19	Change	1H FY2019/20	1H FY2018/19	Change
	01.07.2019	01.07.2018		01.04.2019	01.04.2018	
	to	to		to	to	
	30.09.2019	30.09.2018		30.09.2019	30.09.2018	
	\$'000	\$'000	%	\$'000	\$'000	%
Depreciation	(1,806)	(77)	n.m.	(3,558)	(148)	n.m.
Interest income	577	90	541	757	344	120
Interest expense	(4,065)	(19)	n.m.	(6,634)	(37)	n.m.
Amortisation of transaction costs on bank loans	(392)	-	n.m.	(555)	-	n.m.
Gain on disposal of property, plant and equipment	3	-	n.m.	3	-	n.m.

n.m. - not meaningful

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

2Q FY2019/20 vs 2Q FY2018/19

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 administrative and payroll related expenses of Fraser Residence Orchard, Singapore ("FROS") and depreciation of right-of-use assets following the adoption of SFRS(I) 16 Leases on 1 April 2019.

In 2Q FY2018/19, there were no such expenses.

Note 3 – Other operating expenses

The increase was mainly due to depreciation relating to FROS and higher maintenance charges for development properties which had obtained Temporary Occupation Permit ("TOP").

Note 4 – Finance income

The higher finance income was due to increase in interest income received from additional fixed deposits placed with banks.

Note 5 – Finance costs

The increase was mainly due to borrowing costs on loan relating to Katong Park Towers and The Atelier.

Note 6 – Tax expense

The increase in tax expense was mainly due to additional tax provision for completed units sold during the period and effect of tax losses not recognised.

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	
		30.09.2019 \$'000	31.03.2019 \$'000	30.09.2019 \$'000	31.03.2019 \$'000
Non-current assets					
Investment property		3,566	3,649	-	-
Property, plant and equipment	1	255,917	258,277	-	-
Investments in subsidiaries		-	-	313,000	313,000
Deferred tax assets		3,544	2,461	-	-
		<u>263,027</u>	<u>264,387</u>	<u>313,000</u>	<u>313,000</u>
Current assets					
Development properties	2	1,226,500	1,304,129	-	-
Contract costs		71	363	-	-
Contract assets		76,550	124,299	-	-
Consumable stocks		427	224	-	-
Trade and other receivables	3	54,231	15,929	424,615	444,243
Cash and cash equivalents	4	209,960	72,219	141,782	25,218
		<u>1,567,739</u>	<u>1,517,163</u>	<u>566,397</u>	<u>469,461</u>
Total assets		<u>1,830,766</u>	<u>1,781,550</u>	<u>879,397</u>	<u>782,461</u>
Equity attributable to owners of the Company					
Share capital		631,801	631,801	631,801	631,801
Reserves		682,358	672,732	53,496	110,345
Total equity		<u>1,314,159</u>	<u>1,304,533</u>	<u>685,297</u>	<u>742,146</u>
Non-current liabilities					
Interest-bearing bank loans	5	367,339	367,242	-	-
Other payables	6	48,262	14,832	-	-
Lease liabilities	7	365	-	-	-
Provision		75	73	-	-
Deferred tax liabilities	8	5,363	15,976	2	2
		<u>421,404</u>	<u>398,123</u>	<u>2</u>	<u>2</u>
Current liabilities					
Trade and other payables	9	67,029	63,367	194,035	40,186
Lease liabilities	7	323	-	-	-
Interest-bearing bank loans	5	-	15,400	-	-
Current tax payable	10	27,851	127	63	127
		<u>95,203</u>	<u>78,894</u>	<u>194,098</u>	<u>40,313</u>
Total liabilities		<u>516,607</u>	<u>477,017</u>	<u>194,100</u>	<u>40,315</u>
Total equity and liabilities		<u>1,830,766</u>	<u>1,781,550</u>	<u>879,397</u>	<u>782,461</u>

Notes to the Statement of Financial Position of the Group:

Note 1 – Property, plant and equipment

The decrease was mainly due to depreciation of FROS which commenced in April 2019.

Note 2 – Development properties

The decrease was mainly due to recognition of development costs in cost of sales in respect of completed units sold during the period.

Note 3 – Trade and other receivables

The increase was mainly due to higher receivables relating to projects which had obtained TOP during the period.

Note 4 – Cash and cash equivalents

The increase was mainly due to collections from 8 St Thomas, Watercove, Nim Collection Phases 1 and 2, Luxus Hills Phases 8 and 9.

Note 5 – Interest-bearing bank loans

The decrease was mainly due to repayment of short-term loan.

Note 6 – Other payables

The increase was due to higher deferred income which relates to the non-refundable deposit received in respect of completed development properties sold under deferred payment schemes.

Note 7 – Lease liabilities

The increase was due to the adoption of SFRS(I) 16 *Leases* with effect from 1 April 2019 whereby the obligations to make future lease payments are recognised in the statement of financial position. The lease liabilities relate to an office premise and office equipment.

Note 8 – Deferred tax liabilities

The decrease was mainly due to reclassification to current tax as certain development projects had obtained TOP.

Note 9 – Trade and other payables

The increase was mainly due to higher accruals for construction costs of the development projects.

Note 10 – Current tax payable

The increase was mainly due to reclassification from deferred tax liabilities and additional provision for completed units sold during the period.

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

	30.09.2019 \$'000	31.03.2019 \$'000
<u>Unsecured</u>		
- Amount repayable in one year or less, or on demand	Nil	15,400
- Amount repayable after one year	367,339	249,897
<u>Secured</u>		
- Amount repayable in one year or less, or on demand	Nil	Nil
- Amount repayable after one year	Nil	117,345

Details of any collaterals

During the period, the Group re-financed its secured bank loans. As at 30 September 2019, all bank loans were unsecured.

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 FY2019/20	2Q FY2018/19	1H FY2019/20	1H FY2018/19
	01.07.2019	01.07.2018	01.04.2019	01.04.2018
	to	to	to	to
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	57,623	52,063	82,819	80,856
Adjustments for:				
Depreciation of investment property	41	41	81	81
Depreciation of property, plant and equipment	1,765	36	3,477	67
Gain on disposal of property, plant and equipment	(3)	-	(3)	-
Interest income	(577)	(90)	(757)	(344)
Interest expense	4,457	19	7,189	37
	63,306	52,069	92,806	80,697
Changes in:				
Consumable stocks	(11)	-	(203)	-
Development properties	54,404	23,990	77,629	(174,035)
Contract costs	228	(267)	292	-
Contract assets	8,897	(59,364)	47,749	(82,306)
Trade and other receivables	(33,194)	(5,710)	(38,576)	35,449
Trade and other payables	23,704	(3,032)	36,466	(6,746)
Contract liabilities	-	-	-	(908)
Cash generated from/(used in) operations	117,334	7,686	216,163	(147,849)
Interest received	563	116	665	623
Tax paid	(161)	(359)	(161)	(359)
Net cash generated from/(used in) operating activities	117,736	7,443	216,667	(147,585)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	110	-	110	-
Additions to property, plant and equipment	(132)	(3,414)	(399)	(3,942)
Net cash used in investing activities	(22)	(3,414)	(289)	(3,942)
Cash flows from financing activities				
Dividends paid	(56,960)	(46,604)	(56,960)	(46,604)
Proceeds from borrowings	117,600	130,600	117,600	248,200
Repayment of borrowings	(117,600)	(117,600)	(133,000)	(117,600)
Interest paid	(3,473)	(1,206)	(6,126)	(1,206)
Payment for lease liability	(86)	-	(151)	-
Net cash (used in)/generated from financing activities	(60,519)	(34,810)	(78,637)	82,790
Net increase/(decrease) in cash and cash equivalents	57,195	(30,781)	137,741	(68,737)
Cash and cash equivalents at beginning of the period	152,765	107,678	72,219	145,634
Cash and cash equivalents at end of the period	209,960	76,897	209,960	76,897

- 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 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
At 1 April 2019, as previously reported	631,801	10,304	662,428	1,304,533
Effect of adopting SFRS(I) 16	-	-	(44)	(44)
At 1 April 2019, restated	631,801	10,304	662,384	1,304,489
Total comprehensive income for the period				
Profit for the period	-	-	66,630	66,630
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Dividends paid	-	(10,304)	(46,656)	(56,960)
Total contributions by and distributions to owners	-	(10,304)	(46,656)	(56,960)
Total transactions with owners	-	(10,304)	(46,656)	(56,960)
At 30 September 2019	631,801	-	682,358	1,314,159

Company	Share capital \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000
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)
Transactions with owners	-	(46,604)	-	(46,604)
At 30 September 2018	631,801	10,304	30,753	672,858
At 1 April 2019	631,801	10,304	100,041	742,146
Total comprehensive income for the period				
Profit for the period	-	-	111	111
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Dividends paid	-	(10,304)	(46,656)	(56,960)
Total contributions by and distributions to owners	-	(10,304)	(46,656)	(56,960)
Total transactions with owners	-	(10,304)	(46,656)	(56,960)
At 30 September 2019	631,801	-	53,496	685,297

- 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 2019.

There were no outstanding convertibles that may result in the issuance of shares as at 30 September 2019 and 30 September 2018.

The Company had no treasury shares and subsidiary holdings as at 30 September 2019 and 30 September 2018.

- 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 2019 and 31 March 2019.

The Company had no treasury shares as at 30 September 2019 and 31 March 2019.

- 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 note 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 2019.

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 has adopted the new/revised SFRS(I) that is effective for the financial period beginning 1 April 2019 as follows:

SFRS(I) 16 Leases

SFRS(I) 16 *Leases* introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Remaining lease payments under the operating leases will be recognised at their present value discounted using an appropriate discount rate and the nature of expenses will now change as SFRS(I) 16 *Leases* replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group applied the modified retrospective approach with no restatement of comparative information and the practical expedient for recognition exemptions for short-term leases and leases of low-value items.

The Group has recognised ROU assets of \$0.7 m and lease liability of \$0.7 m with a corresponding decrease in retained earnings of \$0.04 m arising from the adoption of SFRS(I) 16 *Leases* as at 1 April 2019.

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	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Basic and diluted earnings per share (cents)	17.23	17.40	25.73	26.34

	Second quarter		Half-year	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
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	
	30.09.2019	31.03.2019	30.09.2019	31.03.2019
Net asset value per ordinary share	\$5.08	\$5.04	\$2.65	\$2.87

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 FY2019/20 vs 2Q FY2018/19

- (1) Revenue and cost of sales increased by 24% and 27% respectively as compared to 2Q FY2018/19.
Gross profit increased by 21% as compared to 2Q FY2018/19.

In 2Q FY2019/20, profits were recognised for 8 St Thomas, Luxus Hills Phases 8 and 9, Nim Collection Phases 1 and 2, and Watercove.

In 2Q FY2018/19, profits were recognised for 8 St Thomas, Nim Collection Phases 1 and 2 and Watercove.

- (2) Net profit after tax was \$44.6 m, a marginal decrease of 1% as compared to \$45.1 m in 2Q FY2018/19.

1H FY2019/20 vs 1H FY2018/19

- (3) Revenue and cost of sales increased by 22% and 29% respectively as compared to 1H FY2018/19.
Gross profit increased by 15% as compared to 1H FY2018/19.

In 1H FY2019/20, profits were recognised for 8 St Thomas, Luxus Hills Phases 8 and 9, Nim Collection Phases 1 and 2, and Watercove.

In 1H FY2018/19, profits were recognised for 8 St Thomas, Nim Collection Phases 1 and 2 and Watercove.

- (4) Administrative expenses increased by 45% mainly due to administrative and payroll-related expenses of FROS which commenced soft opening in April 2019.

- (5) Other operating expenses increased by 62% mainly due to depreciation of property, plant and equipment of FROS.

- (6) The increase of Finance costs of \$7.2 m was due to borrowing costs on loans relating to Katong Park Towers and The Atelier.
- (7) Higher tax expense in 1H FY2019/20 mainly due to tax provision of sold units of Luxus Hill Phases 8 & 9 and additional sold units for TOP projects.
- (8) Net profit after tax was \$66.6 m, a marginal decrease of 2% as compared to \$68.2 m in 1H FY2019/18.

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 overall private residential property prices increased 1.3% in the 3rd quarter 2019, compared to 1.5% increase in the previous quarter. The total number of new residential units sold in the 2nd quarter of 2019 was 3,281 units, compared to 2,350 units sold in the previous quarter.

The Group had launched Luxus Hills Signature, a collection of 78 landed homes in the 3rd quarter of 2019 which were fully sold. The Group is in preparation for sales launch of The Atelier by 1st quarter of 2020.

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**

None.

(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 and the reason(s) for the decision.**

No dividend has been declared or recommended in the second quarter ended 30 September 2019 as it is not the Company's practice to distribute quarterly dividend.

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 2019 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
5 NOVEMBER 2019**