

Question

1. I understand the company has put up for sale its 11 units in Sim Lim Square at a big discount to valuation. What is the reason for this sale where there is potential for an en bloc?
2. It is also noted that the company has sold quite a number of units in City Plaza which has also en bloc potential.

Company's Response to Question 1

1. The discussions regarding the en bloc redevelopment of City Plaza (CP) and Sim Lim Square (SLQ) has been ongoing for over a decade.
2. CP is a mixed development of apartments and retail units which requires two separate approvals of 80% acceptance making the en bloc process more difficult. In the past few years, attempts were made in September 2018 and November 2021, both of which failed to secure the required 80% level of acceptance among owners, preventing the process from advancing to the tender stage.
3. Despite facing considerable challenges, SLQ successfully managed to obtain the 80% acceptance rate and moved forward to the tender stage. However, it was a dismal failure as not even a single tender form was collected.
4. The Company owned 20 units in CP and 22 units in SLQ. Despite the ongoing discussions about en bloc, we have managed to sell 9 units in City Plaza and 11 units in SLQ. We are in the process of offering the remaining units for sale, reason being as follows:
 - a. It is much more difficult to achieve a successful en bloc of a commercial property as compared to a residential property.
 - b. Unlike many owners, we understand that developers primarily acquire the land and are unlikely to pay substantially above land valuation, especially considering the additional cost of demolishing the building. Over time, more owners may realize the impracticality of demanding unrealistic prices.
 - c. The above unsuccessful attempts took place when interest rates were very low. With the current high interest rates, developers are likely to be more cautious and calculated, resulting in lower expected premiums.
 - d. We anticipate that a successful tender of CP at a realistic price could yield a premium of approximately 30% or \$7 million above present valuations and a premium of around 10% or \$2 million for SLQ. Consequently, our total estimated profit would be \$9 million. While this would increase our Net Asset Value (NAV) by about 1 cent, it is deemed to be not significant.
 - e. Unlike CP which is a freehold property, SLQ is a leasehold property with 58 years remaining. Despite offering a 20% discount below present valuations for SLQ over the last few months, we were unable to sell any unit. During the same period, several units in City Plaza were sold at a premium over valuations, suggesting that the premium in a successful en bloc for City Plaza would be higher than for SLQ.
 - f. The 11 units we currently own in City Plaza valued at \$23.14 million, generates a net rental of \$442,730 resulting in a return of 1.91%. On the other hand, the 11 units in SLQ valued at \$ 19.78 million provide a net rental of \$315,263 yielding a return of 1.59%.

We are confident that selling these units and reinvesting the proceeds in other ventures will yield better long-term returns as there is much uncertainty of when a successful tender

will take place.