



SING HOLDINGS LIMITED

UEN. No.: 196400165G

**RESPONSE TO QUERIES ON THE COMPANY'S ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**”) of Sing Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) has received a few queries from a shareholder and the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s annual report for the financial year ended 31 December 2022 (“**FY2022**”) and wishes to provide its responses to the queries as follows:

Shareholder Query 1:

Sing Holdings had successfully executed an increase in price strategy for Parc Botannia after initially slower take up vs other projects in 2017 by virtue of it being the cheapest plot of land and lowest selling price available as competition sold out. Similarly for North Gaia, the project is currently sitting on the cheapest plot of "not fully sold" land and the average asking price for Normal Progressive Payment for the remaining units is only \$1254psf. Competitors like Copen Grand has sold out at an average of \$1331psf and Tenet almost sold out at an average of \$1378psf. All other mass market condominiums have been selling at an average price in excess of \$2000psf.

Given the lack of competition, would Sing Holdings consider replicating the price raising strategy for North Gaia?

Company's Response:

The Company constantly reviews market demand and market competition to devise its pricing strategies for North Gaia. It will adjust the project’s asking prices as and when appropriate to achieve its overall objective at different points in time.

Shareholder Query 2:

Sing Holdings has been conservatively managed and I do understand management's previously explained rationale of the need to conserve cash vs paying out more dividends and that the market determines the price to book discount for property development companies. However, in recent years, Sing Holdings has displayed its superior ability to increase its NAV and earnings. While management and employees have benefitted from higher salaries and bonuses, loyal shareholders who have held the stock for the last 5 1/2 years (since Parc Botannia's launch) would have suffered from a capital depreciation which is barely compensated by dividends paid out.

The difference is even more glaring if we look at 10 years ago till now. The share price is largely unchanged on average while Sing Holdings' NAV has increased by leaps and bounds. Supportive shareholders have suffered with the company during the bad times but are not adequately rewarded during the better times.

Better returns to shareholders would increase the company's visibility and actually enhance the reputation of the company and help Sing Holdings to achieve even better returns on future projects. **Would management be able to consider more ways to unlock shareholder value to address this gap?**

Company's Response:

The Board wishes to thank the Company's loyal shareholders for supporting us all these years.

Share price is market-driven and is subject to many external factors which are beyond the Company's control. The Company aims to declare dividends on an annual basis and, with the exception of FY2008, has been doing so since its listing on the Singapore Exchange. The Company has consistently demonstrated that it will declare higher dividends with increased earnings. As such, the Board and management will continue to focus on enhancing shareholder value through increasing the Company's profitability.

Shareholder Query 3:

On page 85 of the annual report, Loan 4 is currently the only outstanding loan, secured for the purpose of developing North Gaia. **Can I ask how often is the interest rate of this loan reset and can the loan be paid down at any time e.g. in the event of a sudden surge in sales of North Gaia leading to strong cash inflow?**

Company's Response:

Interest rates for Loan 4 can be determined for a selected period of one month or three months. Repayments are allowed at any time subject to serving the requisite notice period. For repayments using the sales proceeds of North Gaia, the rules stipulated in the Housing Developers (Project Account) Rules must be observed.

SIAS Query 1:

The group obtained the temporary occupation permit in the first half of 2022 for Parc Botannia, a residential project in Sengkang comprising 735 apartment units and is now focused on delivering North Gaia to its buyers. The project is an executive condominium development in Yishun with 616 apartment units. Launched in April 2022, it has a gross floor area of 60,240 square metres, comprising eleven blocks of 14-storey buildings. The project completion is targeted for 2025.

As at 31 March 2023, approximately 36% of the units have been issued options to purchase, amounting to sales value of about \$313.6 million. This translates to an average sales price of about \$1,298 per square foot.

- (i) **Could management provide shareholders with more insight into the unique selling points of North Gaia?**
- (ii) **Has the board considered strategies to improve sales in order to mitigate risks for the group, given the uncertainties in the market?**
- (iii) **What is management's perspective on the local property market? Based on management's experience, how significant was the impact of the last round of cooling measures, and does management anticipate further cooling measures to be introduced?**

- (iv) **What approach does the company employ to strategically replenish its land bank, ensuring a balance between capitalising on growth opportunities and mitigating potential downside risks?**
- (v) **How much emphasis does the group place on incorporating sustainability as a core feature of its developments? Are there any examples of sustainability features in the group's projects that management can share?**

Company's Response:

- (i) North Gaia is opposite Khatib Bongsu Nature Park and offers panoramic views of waterfront and lush greenery. It is within one kilometre from four primary schools and there are education institutions of various levels in close proximity. It enjoys easy access to major roads, public transport nodes and other amenities. Units in the development are largely of north-south orientation and the development presents abundant facilities. In addition to the usual recreational facilities, the project also offers co-working spaces, smart lockers and electronic vehicle charging stations.
- (ii) The Company monitors the market closely, and constantly reviews its marketing and sales strategies to achieve its sales objectives.
- (iii) Given the uncertainties in the market and in the face of challenges such as rising interest rates and inflationary pressure, the local residential property market has proven to be resilient. As North Gaia is an executive condominium, the last round of cooling measures have little or no impact on our project. Management is unable to comment if further cooling measures may be introduced.
- (iv) The Company is selective in its choice of land parcels and remains cautious while actively looking out for growth opportunities. Management performs detailed analysis and is thorough in evaluating the potential downside risks of each project.
- (v) The Company considers sustainability as an integral part of the Group's developments and aims to incorporate sustainability features in its project design brief. The Group's projects largely comprise units with north-south orientation in order to maximise thermal comfort and reduce energy consumption. For its Parc Botannia development, the Group installed electric vehicle charging stations as an additional green feature before this was mandatory for new projects. As a testament to its sustainability effort, the Group obtained Green Mark Award (Gold Plus) for some of its projects.

SIAS Query 2:

In the outlook section, the chairman emphasised that the group plans to maintain sustainable growth by pursuing suitable opportunities for property development and investment. It will focus on property development activities in Singapore and will explore property investment opportunities in more developed countries. The group will continue to exercise discipline and explore business opportunities in a calibrated manner due to uncertainties in the global environment, including geopolitical tensions and rising inflation.

- (i) **Could management provide shareholders with a clearer understanding of the company's competitive advantage when pursuing property investment opportunities in urban or city fringe areas within more developed countries?**

- (ii) **Which other cities or countries have been evaluated as potential targets for such investment opportunities?**

The 291-room room, limited service hotel in Melbourne was bought in October 2016 for a purchase consideration of AUD 107 million. As at 31 December 2022, the fair value of this investment property is \$83.1 million.

The foreign currency risk is shown on page 105 of the annual report and reproduced below:

Foreign currency risk

The Group is exposed to currency translation risk arising from its property investment operation in Australia.

Below is the breakdown of significant assets and liabilities denominated in AUD:

	Group	
	2022	2021
	\$'000	\$'000
Non-current asset		
Investment property	83,110	89,180
Current assets		
Trade receivables	1,057	141
Other receivables	18	-
Prepayments	23	23
Cash and cash equivalents	2,883	80
	3,981	244
Current liabilities		
Trade and other payables	292	124
Provision for taxation	612	-
	904	124

(Source: company annual report)

In the sensitivity analysis, it was shown that a 5% strengthening of the AUD will lead to a change of \$4.31 million in the group's other comprehensive income, with all other variables held constant.

- (iii) **Considering the recent fluctuations in exchange rates, has the board or management explored the possibility of implementing hedging strategies such as currency swaps or maintaining a natural hedge to mitigate foreign currency risks?**
- (iv) **Has the board assessed whether the 2016 investment in the Australian hotel has generated long-term value for shareholders, taking into account the impact of foreign currency fluctuations?**
- (v) **Does the board plan to establish comprehensive interest rate and foreign currency risk management frameworks prior to the group undertaking any further investments?**

Company's Response:

- (i) The Company's management team has strong technical capability and amassed extensive experience to evaluate properties for investment opportunities. In addition, the Company's lean structure facilitates efficient information flow and allows for a quick decision-making process.
- (ii) The Company has evaluated investment opportunities in countries where markets are developed and have clear legal systems.
- (iii) The Company did maintain a natural hedge to mitigate foreign currency risks by obtaining AUD-denominated loans to fund the acquisition. These loans were fully repaid when AUD/SGD exchange rate fell considerably in FY2019 and funding costs of AUD-denominated loans were substantially higher than SGD-denominated deposit interest rates. Management continually monitors the AUD/SGD exchange rate movements and explores available hedging options to mitigate the foreign currency risks.
- (iv) Other than during the period affected by the COVID-19 pandemic, the Australian hotel, being an investment asset, has generated good returns for the Group. Following the lifting of COVID-19 measures and the reopening of Australian borders, revenue from the hotel has rebounded strongly and has been contributing positively to the Group's profitability.
- (v) The Board is mindful of, and has always deliberated over interest rate and foreign currency risks before undertaking any investments. Together with management, the Board will continue to explore available funding options and hedging instruments.

SIAS Query 3:

The company engaged CLA Global TS Risk Advisory Pte Ltd to perform internal audit work for FY2022 under an internal audit plan approved by the audit committee.

However, in the corporate governance report, the company disclosed the following:

The company does not have an in-house internal audit team, as the complexity and size of the existing operations of the group does not warrant one. The AC evaluates the need for an internal audit function. If an internal audit is deemed necessary, it will be out-sourced to a reputable accounting/auditing firm or corporation. [emphasis added]

The SGX Listing Rules has codified the establishment of an IA function as it recognise the value of IA in promoting governance from within the company. Pursuant to Listing Rule 719(3), an issuer must establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits [emphasis added].

- (i) **Can the audit committee (AC) provide further clarification to shareholders regarding the group's compliance with Listing Rules? Can the AC confirm that it has established or plans to establish and maintain an effective internal audit function on an ongoing basis?**

The AC had also reported that it did not meet with the outsourced internal auditor separately without the presence of management in FY2021.

- (ii) **Can the AC help shareholders understand the reasons behind not meeting with the IA separately? Has the AC provided the IA with the appropriate standing within the group?**
- (iii) **Did the AC meet with the IA without the presence of management in 2022, and if so, on how many occasions?**
- (iv) **What were the scope, key findings and recommendations by the internal auditor for FY2022?**
- (v) **Are joint ventures and foreign entities included in the IA?**
- (vi) **What is the level of oversight by the AC on the actions taken by management to follow up on the recommendations?**

Company's Response:

(i) The AC has appointed CLA Global TS Risk Advisory Pte Ltd (formerly Nexia TS Risk Advisory Pte Ltd) as the Group's internal auditor ("IA") on an ongoing basis since 2019. The AC approves the internal audit plans, reviews the internal audit reports and evaluates the performance of the IA. The AC confirms that the Company is in compliance with Listing Rule 719(3) in that it has established and maintained an effective internal audit function on an ongoing basis.

(ii) and (iii)

The AC avails itself to the IA and is open to meeting the IA without the presence of management as and when necessary. Starting from FY2022, the AC has further adopted the practice of meeting the IA without the presence of management at least annually. The AC had a private session with the IA once in respect of the FY2022 audit.

(iv) and (v)

The internal audit scope is planned for a three-year cycle and covers different aspects of the Group's businesses including joint ventures and foreign entities. The FY2022 audit scope comprised project management and cost control, procurement and payments, and sustainability reporting process. Key findings and recommendations relate largely to enhancing the documentation of processes.

(vi) The AC will receive an update from management in the middle of the year and will review the actions taken by management to follow up on the recommendations received from the IA.

BY ORDER OF THE BOARD
SING HOLDINGS LIMITED

Lee Sze Hao
Chief Executive Officer

Singapore, 19 April 2023