Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: PropNex Limited

Stock code: OYY

Meeting details:
Date: 26 June 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the chairman's statement, the group further strengthened its position as the largest real estate agency, with an enlarged salesforce of 8,441 as at 23 February 2020. This marked an increase of 1,041 sales agents or 14.1% from 1 January 2019. The group has a vision of attaining the size of 10,000 salespersons.

As noted in the company's update dated 14 May 2020, in line with the COVID-19 circuit breaker measures introduced in early April, property viewings and marketing roadshows have been suspended, alongside the temporary closure of project sales galleries. In addition, developers are adopting a wait-and-see approach, before deciding to go ahead with their project launches.

(i) **As the economy comes to a standstill during the circuit breaker, how does management turn its large salesforce of over 8000 into an advantage during the lull period?**

(ii) **How is the company helping its salespersons whose earnings might be affected during this period and who may be faced with cash flow issues?**

(iii) **Does the group see any silver lining during this period? Are there more opportunities in training services and in real estate consultancy services?**

Q2. The group further added that it has ambitions to the leading regional real estate agency and it is constantly on the lookout to grow its Southeast Asia footprint. The group is currently exploring opportunities in the Philippines and Thailand.

The group has already entered Indonesia in 2016, and Malaysia and Vietnam in 2018. Since then, the Indonesia team has grown to 1,400 salespersons in 12 offices.

(i) **Based on the group's experience, how will the group finetune its market entry strategy for the Philippines and Thailand?**

(ii) **Are the group's proprietary technology, systems, services and training shared with/licenced to the partners?**

As disclosed in Note 26 (pages 91 to 94 – Operating segments), the group's revenue is still substantially derived from Singapore and the group does not show the geographical breakdown of revenue.

(iii) **Would the board help shareholders understand the tangible benefits and earnings potential of its regional growth strategy?**

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Q3. The "Valuation of trade receivables of $61.7 million" is a key audit matter (KAM) highlighted by the independent auditors in their Report on the audit of the financial statements (page 46).

Key audit matters are those matters that, in the professional judgement of the Independent Auditors, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM:

> *As at 31 December 2019, the Group has trade receivables of $61.7 million, which represents 40% of its total assets. Given the size of the balance and the risk that some of the trade receivables may not be recoverable, judgement is required to evaluate whether any allowance should be made to reflect the risk.*
>
> *The Group assessed the recoverability of trade receivables with reference to the ageing analysis of the trade receivables, adjusted for management's judgement based on the current economic and credit conditions of these trade receivables due from specific trade debtors, i.e. individual customers. The Group assessed the impairment losses on the trade receivables using expected credit loss ("ECL") model, which is based on a probability-weighted estimate of credit losses using historical loss rate, then adjusted for a forward-looking overlay, such as GDP growth in the estimate.*

As shown in Note 27 (page 95 – Credit risk), the group recorded impairment losses recognised on trade and other receivables of $(644,288) in FY2019, up from $(63,681) a year ago.

(i) **Would management help shareholders understand the reasons for the significant increase in impairment losses?**

(ii) **Can the company show how the impairment loss of $(644,288) was calculated?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

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