



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Second Chance Properties Ltd

**Security:** Second Chance Properties Ltd

**Meeting details:**

Date: 27 December 2018

Time: 11.00 a.m.

Venue: The Orange Ballroom, 845 Geylang Road, #03-16 Tanjong Katong Complex, Singapore 400485

**Company Description**

Second Chance Properties Ltd, an investment holding company, engages in the retail of ready-made garments in Singapore and Malaysia. It also retails gold and jewelry; invests in securities; and holds and trades in bonds and stocks. In addition, the company engages in the lease of retail spaces and office buildings. Second Chance Properties Ltd was founded in 1975 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=528](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=528))

1. In the Founder and CEO statement, it was disclosed that the group's rental income declined due to the disposal of two properties and lower rent on several lease renewals (page 2 of the annual report).

As property investment is one of the group's core businesses (accounting for over 55% of the group's total assets), the performance of the segment will impact the group's overall performance.

- (i) Can management quantify the impact due to lower rent upon lease renewals?**
- (ii) What is the average tenant retention rate? What is the weighted average lease expiry?**
- (iii) Can management help shareholders understand the weighted average rental reversions achieved for the new/renewed leases?**
- (iv) Would management consider disclosing the key performance indicators of the property investment portfolio on a regular basis?**
- (v) With 8 leases due for renewal in 2018 and a further 29 leases to be renewed in 2019, what is management's strategy to maintain/increase the group's rental income from the properties?**

In March 2018, the local media reported that owners of shop units at Sim Lim Square have begun a collective sale process with the holding of a signing session and an extraordinary general meeting. Mr. Mohamed Salleh was quoted as saying the following:

*"This place (Sim Lim Square) has declined in popularity... The future looks (bleak) for capital gain. This is a good way for owners to exit."*

(Source: <https://www.todayonline.com/singapore/bye-bye-sim-lim-square-shop-owners-make-bid-en-bloc-sale>)

- (vi) Would management provide shareholders with an update on the status of the collective sale? How is the group driving the potential monetisation of the 12 shop units that it holds in Sim Lim Square?**
- (vii) When will the group be carrying out a full valuation on the properties?**
- (viii) In addition, in Note 20 (page 90 – Investment properties), the group's properties at City Plaza is now reflected as 22 units of approximately 937 square metres, up from 20 units of approximately 837 square metres (as at 31 August 2017). Could management help shareholders understand the reason for the increase? What is the progress of the collective sale of the units at City Plaza?**

**Furthermore, what is the long term future of the group's apparel business now that the operations has been streamlined to just a single flagship First Lady store in Malaysia?**

2. As shown in the Financial review (page 15), the group has 28.7% of its total assets in quoted securities, both held-for-trading and available-for-sale, accounting for \$87.5 million of the group's \$305.4 million in total assets.

- (i) Can management confirm that the group has an internal limit of 35% of its net tangible asset that can be invested in securities?**
- (ii) Are there other risk management safeguards such as sector exposure and single counter exposure to manage the risk of the group's securities investments?**
- (iii) Is there an investment committee to provide oversight of the securities investment portfolio?**
- (iv) Has the board evaluated the long term performance of the group's securities investment activities?**
- (v) Given the current market cycle, how will management be positioning its securities investment portfolio?**

3. In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which will come into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

As noted in the company's Corporate Governance Report, Mr. Tan Lye Heng Paul and Dr. Ahmad Bin Mohamed Magad have served as independent non-executive directors of the company since 29 November 2002 and 20 December 1996 respectively.

Thus, Mr. Tan Lye Heng Paul and Dr. Ahmad Bin Mohamed Magad have served on the board for more than 16 years and 22 years respectively.

The third independent director, Ms. Geetha Padmanabhan, was first appointed in March 2012 and would have served for more than nine years when the new rules come into effect.

- (i) Has the company evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board?**
- (ii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iii) What is the search and nominating process for directors, especially independent directors?**

*[The following question was sent to the company following the review of the 2017 Annual report. As the company did not respond nor clarified in the 2018 Annual report, the question is updated and reposted to the company.]*

4. On 23 January 2017, the company issued one bonus warrant for every one existing ordinary share in the capital of the company. 752,268,852 new warrants were issued, with each warrant carrying the right to subscribe for one new share at an exercise price of \$0.25.

The book closure date for the warrants was 17 January 2017. As at 13 January 2017, the total (direct and deemed) interest of Mr. Mohamed Salleh was 66.08%, based on the company's announcement dated 16 January 2017.

As at 17 November 2017, based on the Statistics of Shareholdings (page 108 & 109 of the 2017 Annual report), Mr Mohamed Salleh has direct and deemed interest of 443,806,934 and 63,187,785 shares respectively.

Based on the Statistics of Warrantholders, Mr. Mohamed Salleh and his spouse are not in the list of the Thirty largest warrantholders (page 110 of the 2017 Annual report).

In the Corporate Governance Report, under the section "Dealing in securities" (page 48), it was disclosed that the company has *"adopted an internal code on dealings in securities, which has been issued to all Directors and Employees... Directors are required to report securities dealings to the Company Secretary who will aid in making the requisite announcements."*

- (i) Can the board clarify if dealings in the company's warrants would fall under its internal code on dealing in the company's securities?**
- (ii) To further raise the level of corporate governance, would the board consider having directors report his/her dealings in the company's warrants and announce any such sale/purchase of the company's warrants on the SGXNet?**

A copy of the questions for the Annual Report for the financial year ended 31 August 2017 and 31 August 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Second%20Chance%20Properties%20Ltd>

The company's response could be found here:

2017: -----

2016:

[https://sias.org.sg/media/qareport/1483066974\\_SCPL\\_ResponseToSIASQueries\\_28Dec2016.pdf](https://sias.org.sg/media/qareport/1483066974_SCPL_ResponseToSIASQueries_28Dec2016.pdf)