



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: SingHaiyi Group Ltd.

Stock code: 5H0

Meeting details:

Date: 6 August 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.

Q1. From Note 24 (page 130 – Operating segments), it can be seen that the group has segment assets of \$1.86 billion in the property development segment, out of total assets of \$2.17 billion as at 31 March 2020.

The on-going development projects are:

- The Lilium; expected completion in 2H 2021
- The Gazania; expected completion in 1H 2022
- Parc Clematis; expected completion in 1H 2023
- 5 Thomas Mellon Circle; expected completion 1H 2024
- Vietnam Town; completed in March 2018

As noted in the annual report (page 6), as of 31 May 2020, the group has sold 671 units of Parc Clematis (out of 1,468-units) and a total of 22 units for The Gazania and The Lilium (out of 250 units in The Gazania and 80 units in The Lilium).

In fact, it would appear that only 1 unit of The Lilium has been sold at the 80-unit development since the official launch more than 14 months ago, in May 2019.

- (i) **Would management elaborate further on the strategies to improve the sales of the group's development projects so as to further de-risk the group?**
- (ii) The market response for The Gazania and The Lilium appears to be particularly muted. **Would management be reviewing the pricing and terms for the slower-moving projects in view of the market conditions?**
- (iii) **What are the plans to sell the balance of approximately 100 units in Vietnam Town given that the project has been completed for nearly 2.5 years? Would management help shareholders understand the ground sentiments in San Jose, CA? Are the unsold units being rented out for income?**
- (iv) **What are the projected development costs for 5 Thomas Mellon Circle? How will the group be funding it?**

Q2. Cash and cash equivalents decreased to \$29.0 million for the financial year ended 31 March 2020 from \$101.0 million a year ago. As shown in the Financial summary (page 15), the debt equity ratio has increased from 0.02x (FY2018) to 1.6x (FY2019) to 2.3x (FY2020).

Key Financial Ratios						
Debt equity ratio (net of cash) (times)	2.3	1.6	0.02	0.4	0.8	0.8
Return on equity (%)	(1.2)	3.4	4.3	6.3	6.3	4.8
Dividend payout ratio (times)	–	27.9	45.2	27.7	39.1	–

(Source: company annual report)

Net debt amounted to \$1.41 billion (page 128) while the total capital employed was \$611.2 million.

No final dividend was declared to conserve cash for the ongoing development projects and the directors and management have committed to reducing their remuneration to support cash flow.

- (i) **Has the board deliberated on the relatively high gearing of the group and set a limit to the group's overall leverage especially in such challenging market conditions?**

In the financial year, the group fully divested its portfolio of fixed income funds which was recognised as financial assets at fair value through profit or loss. There was a loss on disposal of \$1.6 million while net proceeds was \$28.4 million.

In addition, the group has financial assets at fair value through other comprehensive income, which pertains to the group's investment in Cromwell Property Group. As disclosed in the operational and financial review, the carrying value decreased by \$32.7 million to \$42.0 million (FY2019: \$74.7 million) in FY2020 due to changes in the market value of quoted stapled securities during the financial year (page 18).

- (ii) **Can management disclose the actual number of stapled securities in Cromwell held by the group?**
- (iii) **How is the group managing its investments into financial assets? How strategic are the investments (such as a minority interest in Cromwell) to the group's long-term plans?**
- (iv) **Is there a robust risk management framework in place?**
- (v) **What is the level of oversight by the board on the group's investments into financial assets?**

In Note 17 (page 122 – Loans and borrowings), it was disclosed that the bank loans are secured by a charge over financial asset at fair value through other comprehensive income. Also, as shown in Note 19 (page 125 – Loan from a related party), the group has loan from a related party with an effective interest rate of 7.25% (2019: 7.44%) per annum.

- (vi) **Can the board clarify if the group has made investments into Cromwell with leverage? If so, would the group be exposed to undue market risks?**
- (vii) **Would the board help shareholders understand the group's capital management framework as the group leverage has increased to 2.3x and it has high-cost loans from related party at 7.25% while diversifying to minority stakes in other real estate investment manager?**

Q3. In the announcement dated 11 December 2017, the company announced that it has, in conjunction with Haiyi Holdings Pte Ltd – a wholly-owned entity of its controlling shareholders, Mr Gordon Tang and Mrs Celine Tang, subscribed for approximately 175.1 million units of stapled securities or 9.9% of the existing stake in Australia-listed Cromwell Property Group for A\$169.6 million.

In particular, the company will subscribe for 61 million units of stapled securities for A\$59.1 million, representing a 3.45% interest in Cromwell.

In 2019, Cromwell sought clarity from the Takeovers Panel in Australia on the shareholding structure and associations between the different entities. The Takeovers Panel had in February 2020 decided not to conduct proceedings¹.

It was stated that:

As an example, the Tang Parties submitted that in November 2019 Ms Jialei Tang purchased ~8.9 million Cromwell securities while SingHaiyi sold ~10.1 million Cromwell securities during the same month. ... On 23 December 2019, a substantial holder notice was lodged by Haiyi, SingHaiyi, Mr Gordon Tang, Mrs Celine Tang, Ms Jialei Tang, Senz Holdings, Madam Yang Chanzhen, Mr Tang Jialin and others which disclosed an aggregate voting power of 13.67% by the Tang family, including Ms Jialei Tang and Senz Holdings, without acknowledging any association existing with Ms Jialei Tang and Senz Holdings.

- (i) **Would the board, especially the independent directors, help shareholders understand how it deals with any potential conflicts of interests and/or interested party transactions given that the controlling shareholders have investments into Cromwell via other investment vehicles?**
- (ii) **What are the safeguards put in place to ensure that management acts in the best interests of the company at all times?**
- (iii) **Specifically, what are the established procedures by the independent directors to monitor and review the group's investment in Cromwell to ensure that acts of commission and omission are in the best interests of the company?**
- (iv) **How do the independent directors identify and review any acts of omission?**

¹ http://www.takeovers.gov.au/content/DisplayDoc.aspx?doc=reasons_for_decisions/2020/001.htm

^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.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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^ 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>)