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 www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: PropNex Limited

Stock code: OYY

Meeting details:
Date: 25 April 2022
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. FY2021 was a blockbuster year for the group, despite the initial worries about the long-drawn pandemic entering a second year.

Full year revenue increased by 87% to $957.5 million in FY2021, driven by higher commission income from agency services and from project marketing services. This was a result of higher number of transactions completed in FY2021.

The following data points show the strength of the red-hot market in 2021:

- private home prices rose by 10.6% year-on-year for the whole of 2021, achieving the highest annual price growth since 2010
- 13,027 new private homes were sold, the highest annual sales since 2013
- 19,962 resale private homes were sold, the highest annual resale figure since 2007
- HDB resale prices rose 12.7%, with the HDB resale price index recording an all-time high of 155.7
- Resale applications registered with HDB increased by 25% to hit a 10-year high at 31,017 transactions
- A record 259 million-dollar HDB flats were sold in 2021, up from 82 units



(Source: company annual report)

As shown above, the group has a leading market share of the HDB resale market (58%). It has a 44% share in new launches and just over half of the private residential resale market.

(i) **Can management help shareholders better understand the different characteristics of the three segments and the reasons for the differences in market share in each segment?**

(ii) **Given how strongly the market grew in FY2021, and with the introduction of additional cooling measures in December 2021, what is management's view of the market and how is it positioning the group?**

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(iii) **Given that the group relies heavily on transaction volume, has the board identified the risks of a property market correction/slowdown? How is the board managing the risk that transaction volumes will not always be going up?**

The agency also achieved a notable feat of being the first real estate agency in Singapore to ever break the 10,000-agents mark. Management has set a target of having 12,000 salespersons by 2023.

(iv) **Is bigger always better? Will it lead to cannibalisation or reduced marginal returns? How does management balance growing the size of the agency and increasing the efficiency and productivity of its sales force?**

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Q2. The group appears to be making good progress in expanding its overseas markets, entering Cambodia and making it the group's fourth overseas market.

The country has a population of 16.7 million, with the capital, Phnom Penh, having more than 3 million people as the country's commercial, economic and political hub.

(i) **Would the board/management help shareholders understand the main drivers of growth in the real estate market of Cambodia?**

(ii) **How much of the real estate market is driven by domestic demand versus foreign investment?**

(iii) **How favourable/conducive are the real estate laws in Cambodia to support the long-term growth of the market?**

In addition, can management give shareholders some insights to the latest development in its other overseas market? Specifically:



(Source: Company annual report)

(iv) **Malaysia & Indonesia:** The group's network in Indonesia grew in strength and while there was an increase in the number of offices (to 5) in Malaysia, salespersons decreased to 750. **What are the local conditions in the markets that are affecting the group's operations?**

(v) **Vietnam: Can management provide shareholders with greater clarity on the termination of the Master Franchise Agreement for Vietnam? Following the termination, what are the group's plans?** Vietnam is more developed than Cambodia and is materially larger in size.

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Q3. As noted in the corporate governance report, the company outsourced the internal audit function to an external service provider, PricewaterhouseCoopers (page 37). The internal auditors have full and unfettered access to all the company's documents, records, properties
and personnel including access to the audit committee (AC).

The AC is satisfied that the internal audit function of the group is independent, effective and the internal auditors are adequately qualified and resourced, and has the appropriate standing in the company to discharge its duties effectively.

(i) **Can the AC confirm that all the significant subsidiaries were included in the internal audit?**

(ii) **Does the IA cover the foreign operations, in Malaysia, Indonesia, Vietnam etc?**

(iii) **What was the scope of the IA in 2021?**

(iv) **What were the key findings by the IA?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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