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Issuer: Singapore Land Group Limited

Stock code: U06

Meeting details:

Date: 26 Apr 2024

Time: 2.00 p.m.

Venue: Garden Ballroom, Level 1, PARKROYAL COLLECTION Marina Bay, 6 Raffles Boulevard, Singapore 039594

Q1. Would the board/management provide shareholders greater clarity on the following operational matters? Specifically:

- (i) **Office segment:** Can management explain the resilience demonstrated by the office segment in Singapore despite companies focusing on cost containment and downsizing commercial office space? Is there a risk that the segment may eventually falter under external pressures?
- (ii) **Redevelopment and asset enhancement:** What is the investment hurdle rate used and approved by the board that is typical of a redevelopment project such as that of Clifford Center or asset enhancement initiatives such as those of Singapore Land Tower and West Mall?
- (iii) **Partial redevelopment of Marina Square:** The group received the provisional permission from the Urban Redevelopment Authority for the proposed partial development of Marina Square in September 2023. **Can management provide insights into the scale of the project aimed at rejuvenating the nearly four-decade-old mall into a mixed-use precinct? In particular, what are the challenges in carrying out residential development in the Downtown Core planning area? When does management anticipate the final approvals and what is the total investment amount earmarked for this project?**
- (iv) **Property development:** What is the group's strategy in replenishing its landbank in the private residential sector, especially considering factors like the current high interest rate environment, weak macroeconomic conditions and government regulations (including cooling measures) such as the 60% ABSD?

Q2. For the financial year ended 31 December 2023, the board has recommended a first and final tax exempt (one tier) dividend of 4 cents per share. While it is an increase from 3.5 cents per share in 2022, the pay-out ratio remains low at about 30%.

- (i) **What deliberations did the board have on the dividend amount and the pay-out ratio? Specifically, has the board devised strategies to increase the pay-out ratio while maintaining support for the group’s growth initiatives?**

As seen in Note 33(d) Financial risk management, the group has net debt of \$287 million and total equity of \$8.82 billion. The gearing ratio, as calculated by net debt over total equity, is 3%.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

	The Group 31 December		The Company 31 December	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Net debt	287,082	247,181	4,543	344,868
Total equity	8,815,788	8,619,817	1,951,241	2,006,441
Gearing ratio	3%	3%	1%	17%

(Source: company annual report)

- (ii) **Has the board explored the optimal capital structure (including the targeted gearing ratio) to facilitate the group’s growth objectives and maximize shareholder value? Does the strength of the group’s high-quality assets and operational performance justify the use of higher gearing without substantially heightening risks?**

Q3. From the five-year summary, it can be seen that the net asset value per share has steadily increased from \$5.10 to \$5.72 from 2019 to 2023.

FIVE YEAR SUMMARY 2019 – 2023

OTHER DATA	2019	2020	2021	2022	2023
Profit before income tax - % of revenue	104	19	73	84	49
Profit attributable to equity holders of the Company					
– % of revenue	86	16	66	74	40
– % of share capital and reserves	8.3	1.2	4.4	5.7	3.3
Earnings per share (cents)					
– excluding fair value gain/(loss) on investment properties	31.9	15.1	15.8	15.9	13.2
– including fair value gain/(loss) on investment properties	42.2	6.3	23.1	31.8	18.9
Dividends proposed					
– gross per share (cents)	4.0	3.5	3.5	3.5	4.0
– cover (times)	10.6	1.8	6.6	9.1	4.7
Net asset value per share (\$)	5.10	5.12	5.30	5.57	5.72

(Source: company annual report; emphasis added)

However, the share price has been on a decline, and last trades at below \$1.80 per share, nearly a 70% discount to its net asset value. The ten-year price chart of the company and UOL is shown below for reference.

Singapore Land Group Limited (U06.SI)

SES - SES Delayed price. Currency in SGD

1.7900 0.0000 (0.00%)

At close: 11 April 03:24PM SGT

Summary Chart Statistics Historical data Profile Financials Analysis Options Holders Sustainability



(Source: <https://sg.finance.yahoo.com/quote/U06.SI/chart>)

Stock exchanges and regulators, including Tokyo Stock Exchange and Korea's Financial Services Commission, have started to ask companies to set up and disclose valuation boosting plans. These corporate value-boosting initiatives are needed as it is recognised that "corporate values" of listed companies have to improve and that the main driver in enhancing corporate value is the company itself. Efforts have been targeted at companies that trade below a price-to-book ratio of below 1. The plans focussed on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies¹.

Specifically, Tokyo Stock Exchange has required companies with price-to-book consistently below 1x to disclose their policies and specific initiatives to improve their valuations.

- (i) **What is the company's cost of capital? Has the board assessed whether management consistently delivers returns surpassing this benchmark?**
- (ii) **Could the board, particularly the independent directors, elaborate on their initiatives to enhance corporate value and optimise capital efficiency? How successful have these endeavours been, considering the substantial 70% discount to NAV?**
- (iii) **In addition, has the board also reviewed the disparity in the valuation of the company and the parent, UOL Group Limited? Does the limited free float of 12.61% negatively impact the valuation of the company?**
- (iv) **Apart from acknowledging that there are many external factors influencing the share price, would the board consider disclosing and implementing targeted strategies to narrow the discount gap, thereby creating value for shareholders?**

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

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¹ <https://www.jpix.co.jp/english/news/1020/p1j4l400000014ul-att/p1j4l400000014x9.pdf>