



STAMFORD
LAND CORPORATION LTD
Co. Registration No. 197701615H

**RESPONSES TO QUESTIONS FROM
SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT**

The Board of Directors (the "**Board**") of Stamford Land Corporation Ltd (the "**Company**", together with its subsidiaries, the "**Group**") would like to thank the Securities Investors Association (Singapore) ("**SIAS**") for submitting their questions in advance of the Company's Annual General Meeting to be held on 30 July 2024 at 2.30 pm.

The Company's responses to the questions received from SIAS are set out below.

SIAS QUESTION 1

1. *Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:*

- (i) *Hotel operations: With 1,536 keys, are the hotel operations achieving economies of scale in areas such as branding and marketing? Can management provide detailed insights into the long-term strategic plans for the group's hotel businesses, especially in light of the previous decision to put them on the market three years ago?*

Response:

The Group is the major independent owner operator of luxury hotels in Australia. This is our uniquely consistent positioning, even though it entails constantly more difficulties, challenges, hard work and individual personal oversight. It however differentiates us from otherwise "branded" hotels, with their, amongst others, commitment costs and fees and uniformity. As an owner operator (distinct from passive owners or management companies), Stamford is more effective in terms of profits, control and flexibility-wise. Moreover, the Stamford hotel properties are free of encumbrances, which by itself has a significant value attached.

Therefore, whilst economies of scale in branding and marketing is one consideration, the Group necessarily considers other important, broader and complex considerations. The Group will acquire hotels only when there is compelling value as assessed from all perspectives, as the significant capital outlays must not be dictated by comparatively smaller savings in operating economies of scale.

The Group has also competently demonstrated through its past track record the ability to purchase, or sell hotels, alternatively to redevelop its portfolio of hotels at the best timing possible. It is an ardent believer in the patient cum ready strategy articulated by Warren Buffett, that 'the trick in investing is just to sit there and watch pitch after pitch go by and wait for the one right in your sweet spot'.

The previous asset light exercise is irrelevant to the 'critical mass' or 'economy of scale' issues crafted in the question. Foremost in the company's consideration is the need to enhance and unlock shareholder value by evaluating the highest and best use of its assets. Through this 'asset light' exercise, the company was able to identify and dispose of Stamford Plaza Auckland at the country's record price of NZ\$170,000,000 after a successful 2-year operation as a Quarantine hotel with a revenue circa NZ\$60,000,000. Further, an owner was found to purchase The Sir Stamford Circular

Quay at a record price of A\$210.5 million or A\$2.0 million per room with the company continuing to enjoy its income stream and management rights until the purchaser is ready with its redevelopment.

- (ii) *Stamford Plaza Brisbane (SPB): Management has set aside \$1.5 million and has commenced development and restoration works on the heritage building in Stamford Plaza Brisbane. Approximately \$35.3 million from the rights issue has been earmarked for the potential development or redevelopment of properties which included Stamford Plaza Brisbane. Can management elaborate further on the strategic plans for SPB?*

Response:

The Group currently holds leasehold title for SPB and was initially in discussions with the State Government of Queensland ("**State**") to acquire a freehold title in connection with the redevelopment of SPB.

As required by the State, approximately S\$1.5 million raised from the Rights Issue has been utilised for certain restoration works to the heritage buildings in SPB.

However, the discussions to acquire freehold title for SPB have become protracted, and the Group is unable to progress with the proposed redevelopment of SPB until it reaches an agreement with the State on the topping up of the lease term.

- (iii) *Asset enhancements: A total of \$3.1 million has been spent on asset enhancement of Stamford Grand Adelaide, Stamford Plaza Adelaide and Stamford Plaza Melbourne. How does the board evaluate the returns on asset enhancement initiatives? What specific metrics and hurdle rates are used in the board approval process to ensure these enhancements deliver value to shareholders?*

Response:

The Group continually embarks on asset enhancement initiatives to unlock the value of our existing portfolio. Asset enhancement works on the hotels in Adelaide and Melbourne are currently on-going and the Group's focus is to deliver the best returns in terms of aesthetics, functionality and economics. Being operating assets, management is also mindful of the need to carry out the refurbishment works with minimal impact on the revenue of the hotels.

- (iv) *Finsbury: The property was acquired at \$446.4 million in FY2020 and had carrying value of \$380.2 million (FY2023) and \$310.9 million (FY2024). The fair value losses were \$(75.8) million in FY2023 and \$(82.2) million in FY2024. Despite the drop in valuation, rental and service income from investment properties was stable at \$24.1-24.3 million. The freehold commercial building has long dated leases and a weighted average unexpired lease term of ~8.6 years. Can management clarify whether the leases include provisions for rent reviews and if these reviews are structured to be 'upward-only'? With the capitalisation rate currently at 5.75%, could the board revisit and explain the factors that justified acquiring 8 Finsbury Circus based on a capitalisation rate of around 4%?*

| 15. Investment properties | | | |
|-----------------------------------|-----------------------------------|-----------------------|----------|
| Group | Freehold land and buildings | Leasehold property | Total |
| | \$'000 | \$'000 | \$'000 |
| At 1 April 2022 | 492,506 | 17,112 | 509,618 |
| Fair value (loss)/gain | (75,763) | 310 | (75,453) |
| Exchange differences | (36,555) | – | (36,555) |
| At 31 March 2023 and 1 April 2023 | 380,188 | 17,422 | 397,610 |
| Fair value (loss)/gain | (82,167) | 682 | (81,485) |
| Exchange differences | 12,916 | – | 12,916 |
| At 31 March 2024 | 310,937 | 18,104 | 329,041 |

(Source: company annual report)

Response:

Rent review on the leases for Finsbury Property is structured to be the higher of current rent and open market rent.

As shareholders would recall, Finsbury Property was acquired in July 2019 as a best-in-class trophy asset, amidst substantial international interest and competition. It remains a compelling buy, as a freehold Grade A commercial building, with a total floor area of approximately 180,000 sq ft, having been re-built to an award-winning design in 2016 by its previous owner Mitsubishi Real Estate and occupying a unique position overlooking the only garden square in the City of London. With the then capitalisation rate of approximately 4%, the acquisition was clearly accretive.

Since 2019, the macroeconomic environment has changed drastically in increasingly volatile geopolitical conditions e.g. in July 2019, the Bank of England Official Bank Rate was 0.75%, it has since increased to 5.25% as at July 2024. This is however with hindsight.

Notwithstanding, the Company is guided steadfastly by the principle that prime properties prices, with time and low gearings, in this instance, zero gearings, will invariably correct any misalignments suffered during the near term. We hold a long-term view of the property and are confident the fair value will eventually correct over time.

SIAS QUESTION 2

2. *In Note 21 (Trade and other receivables; page 145), it can be seen that the group recognised expected credit losses for trade receivables of \$4.5 million.*

| <i>Expected credit loss</i> | | |
|--------------------------------------------------------------------------------------------|--------|--------|
| The movement in allowance for expected credit losses for trade receivables are as follows: | | |
| | Group | |
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| At 1 April | – | – |
| Allowance for expected credit losses | 4,548 | – |
| At 31 March | 4,548 | – |

(Source: company annual report)

- (i) *Can the board elaborate further on the nature of the trade receivables and the underlying reasons for recognising a substantial allowance for expected credit loss?*

Response:

The receivable was an amount due from an isolation contract with the State Government of Queensland ("State") in relation to COVID-19 travel restriction.

The Group entered into an agreement with the State in December 2021 by which the Group agreed to provide accommodation at Stamford Plaza Brisbane hotel for isolation guests in accordance with COVID-19 isolation requirements.

However due to the flood situation which occurred in Brisbane, our hotel was rendered incapable for use. We have sought legal advice from Senior Counsel and we are not inclined to pursue the claim, hence credit losses was provided for in FY2024.

- (ii) *What is the profile of the customer(s)?*

Response:

The customer is the State Government of Queensland.

- (iii) *Considering the group's credit risk framework restricts trading to recognised and creditworthy third parties, what specific circumstances led to the recognition of a substantial credit loss allowance? Did unexpected external factors contribute to this situation or are there gaps in the credit risk framework?*

Response:

The contracting party is indeed a recognised and creditworthy third party according to the Group's credit risk framework. There are no gaps in the Group's credit risk assessment. The receivable arises primarily from a contractual dispute, and not from the financial standing of the counterparty.

The recognition of the credit loss allowance is necessitated by accounting principles and is due to unexpected external factors beyond the Group's control.

- (iv) *From the statements of changes in equity (page 106), it can be seen that foreign currency translation reserve is now at \$(93.0) million. How does the board assess the group's foreign currency risks given the substantial assets denominated in foreign currencies and the lack of matched borrowings? What strategies are being considered to mitigate these risks and ensure effective management of foreign currency exposure?*

Response:

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities.

The Group manages its foreign currency risk exposure through natural hedges when it matches sales and purchases in any single currency. In addition, the Group regularly reviews its exposure to foreign currency risk and manages it by entering into foreign exchange options and/or forward exchange contracts, where applicable.

Overall, the Group has a prudent capital and risk management strategy and will actively manage our interest rate and currency risk to reduce market volatility, when necessary.

SIAS QUESTION 3

3. *As disclosed in the corporate governance report, the company's internal audit function was performed by an independent accounting firm, CLA Global TS Risk Advisory Pte Ltd ("CLA") (for the first three quarters of FY2024) and in-house (for the remainder of FY2024).*

(i) *Can the audit and risk management committee (ARMC) help shareholders better understand the reasons for appointing an in-house internal audit team in place of CLA?*

Response:

A full time and well-resourced in-house internal audit team has the advantage of being more focused, familiar and thorough in executing its internal audit function. The dedicated in-house team can also be activated to investigate into any potential key audit matters in a timely manner.

The ARMC will continue to monitor and assess the internal audit function (including internalisation and outsourcing considerations) and adopt the most practical and beneficial approach effective for the Group.

(ii) *Can the ARMC provide details on the composition of the in-house internal audit team, including the size of the team and the specific experience, qualifications, and certifications of its members?*

Response:

The in-house internal audit team comprises two headcounts – the Head of internal audit and one team member. The team comprises members who have public accounting experience and experience in various industries background.

The head of internal auditor has more than 10 years of public accounting experience in Singapore, Malaysia and Indonesia. His experience spans local companies and multinationals engaged in industries such as hospitality, shipping, oil and gas services, power plants, manufacturing and fast-moving consumer goods. He is also a member of ISCA and a fellow member of Association of Chartered Certified Accountants.

(iii) *Can the ARMC confirm that the in-house internal auditor complies with the standards set by nationally or internationally recognised professional bodies, such as the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors?*

Response:

See response to (ii) above.

(iv) *Can the ARMC provide a detailed overview of the scope of the internal audit for FY2024, along with the key findings and specific recommendations made by the internal auditor?*

Response:

Management regularly reviews the Group's business and operational activities in respect of the key risk control areas, including financial, operational, compliance and information technology controls, and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the ARMC and the Board for consideration, evaluation and decision-making. The ARMC and the Board also work closely with the internal audit team, external auditors and management on their recommendations to institute and execute relevant controls with a view to managing such risks.

- (v) *Can the ARMC confirm that all the foreign entities in Australia, New Zealand and British Virgin Islands were included in the internal audit? How was the internal audit carried out for these foreign subsidiaries?*

Response:

Internal audit is a risk-based approach and entities with active operations are included in the internal audit.

The operations of the group in Australia have been included in the internal audit plan. The internal audit team travels to, and is physically present at, the relevant locations of the hotels to carry out its scope of work diligently.

- (vi) *What is the level of oversight by the AC on the actions taken by management to follow up on the recommendations?*

Response:

The ARMC is kept informed and updated on management's follow up actions based on the internal audit team's recommendations. Subsequent to making its recommendation, the internal audit team will also revisit the auditee to ensure its recommendations have been put in place to address any improvements required. The ARMC is briefed and updated on internal audit findings and actions taken to address such findings during its ARMC meetings.

BY ORDER OF THE BOARD

Ang Lay Kheng

Chief Financial Officer and Company Secretary

30 July 2024