



SECOND CHANCE PROPERTIES LTD
(Incorporated in Singapore)
(Company Registration Number: 198103193M)

**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) – (THE “SIAS”)
ON THE ANNUAL REPORT FOR FINANCIAL YEAR ENDED 31 AUGUST 2018**

The board of directors (the “**Board**”) of **Second Chance Properties Ltd** (the “**Company**”) refers to the query raised by the SIAS in relation to the Company’s Annual Report for the Financial Year ended 31 August 2018 and appends the requisite replies as follows:

- Q1** 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?**
A1 (i) The management intends to maintain the existing rent upon lease renewals. However, the same depends on numerous factors like the market demand, tenant’s business performance, the economy in general, etc.
- (ii) What is the average tenant retention rate? What is the weighted average lease expiry (WALE)?**
A1 (ii) Tenant Retention Rate 74.07% (20 renewed out of 27)
WALE – as a percentage of total lettable area = 1.6 years
WALE – as a percentage of gross rental income = 1.77 years
- (iii) Can management help shareholders understand the weighted average rental reversions achieved for the new/renewed leases?**
A1 (iii) Rental Reversion = -12.26% - for FY 18
- (iv) Would management consider disclosing the key performance indicators of the property investment portfolio on a regular basis?**
A1 (iv) The management has been disclosing the key performance indicators of the property investment portfolio on a regular basis by giving details of “Rental Income contribution by Tenant Trade Sector” in the Annual Report. In future, the management will also include the rental yield from different sectors as part of key performance indicators.

(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?

A1 (v) The rental market is facing tremendous downward pressure. Rental depends on demand and supply and as such management can apply only limited strategies to maintain/increase rental income one of which is engaging multiple brokers to market our properties and increase their commission. If required, the management can also consider lowering rent in some cases (as determined by the market forces) instead of keeping any unit vacant.

(vi) Would management provide shareholders with an update on the status of collective sale? How is the group driving the potential monetization of the 12 shop units it holds in Sim Lim Square?

A1 (vi) The en-bloc for Sim Lim Square is ongoing. The collective sales as at 17 December 2018 is 58.55%. The last date to sign the collective sales for obtaining 80% consensus is 08 March 2019.

We have voted in favour of the proposed collective sale of Sim Lim Square.

We are also looking to sell at a agreeable price in the market (apart from waiting for the en-bloc)

(vii) When will the group be carrying out a full valuation on the properties?

A1 (vii) In 2019.

(viii) In addition, in Note 20 (page 90 – Investment properties), the group’s properties at City Plaza is now reflected 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?

A1 (viii) In prior years, there were 2 units at City Plaza that were classified as “Property, plant & equipment” since they were self-occupied. However now, those 2 units have been rented out to third party and hence have been re-classified from “Property, plant & equipment” to “Investment properties”. As such, the group’s properties at City Plaza is now reflected as 22 units.

(ix) What is the progress of the collective sale of the units at City Plaza?

A1 (ix) The collective sales as at 22 December 2018 is 22.43%.

The last date to sign the collective sales for obtaining 80% consensus is 23 August 2019.

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?

Barring any unforeseen circumstances, the Group will continue to operate its apparel business as long as returns from the same are reasonable and worthwhile.

Q2 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 tangibles asset that can be invested in securities? –

A2 (i) Yes, as per the current internal investment policy, the group has an internal limit of 35% of its net tangible assets that can be invested in securities and it's subject to annual review by the Board.

(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?

A2 (ii) Yes and following are the risk management safeguards for group's securities investments:

Equity securities:

- 1) The market capitalization of the stock on date of purchase must be not less than S\$500 million
- 2) The company must have paid dividends for the past 5 years
- 3) The stock must have at least 3 buy recommendations from established financial institution
- 4) To have a diversified portfolio with not more than 20% of invested funds in any one sector
- 5) To limit to up to 5% of Group's NTA on any single stock , ETF or Index Fund etc.,

Bonds:

- 1) The NTA of the issuer must not be less than S\$500 million
- 2) To have a diversified portfolio with not more than 20% of funds invested in any one sector
- 3) To limit up to 1% of latest audited Group's NTA on any single bond

(iii) Is there an investment committee to provide oversight of the securities investment portfolio?

A2 (iii) Yes

(iv) Has the board evaluated the long term performance of the group's securities investment activities?

A2 (iv) Yes, the Board discusses and reviews the group's securities investment activities on a quarterly basis.

(v) Given the current market cycle, how will management be positioning its securities investment portfolio?

A2 (v) Given the volatility in the current global securities market, the management sees no necessity to take any immediate steps and has the capacity to hold the securities for the long term.

Q3 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 01 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 01 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years 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?

A3 (i) Yes, the company has evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board.

The Board of Directors is committed to define, follow and practice the highest level of corporate governance within the Group which forms the continuing obligations of the Singapore Exchange Securities Trading Limited (SGX-ST)’s listing rule.

(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?

A3 (ii) Yes

(iii) What is the search and nominating process for directors, especially independent directors?

A3 (iii) The Board has established the NC, which makes recommendations to the Board on all appointments to the Board and Board Committees. The NC seeks to ensure that the composition of the

Board provides an appropriate balance and diversity of skills, experience, gender and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to the Group's business. The NC has put in place a formal process for the selection of new Directors to increase transparency of the nominating process in identifying and evaluating nominees for Directors.

For more details on the above, please refer to pages 34-35 of the Annual Report FY 2018.

Q4 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 Salelh 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 warrant holders (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?

A4 (i) Dealing in company's warrants does not 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?

A4 (ii) We agree that reporting the sale/purchase of the company's warrants by Directors on the SGXNet would increase transparency and improve our level of corporate governance. Hence with immediate effect, they will do so.