

PROPnex LIMITED
(the “**Company**”)
Company Registration No. 201801373N
(Incorporated in the Republic of Singapore)

Minutes of the Annual General Meeting of the Company (“AGM” or “Meeting”)

Date : Monday, 25 April 2022
Time : 10.00 a.m.
Place : by way of electronic means
Present : As per the webcast attendees report
(due to the restriction on the use of personal data pursuant to the provision of the Personal Data Protection Act 2012, the names of the attendees of this Meeting will not be published in this minutes)
Chairman : Mohamed Ismail s/o Abdul Gafoore (“**Mr Ismail Gafoore**”)

1. WELCOMING ADDRESS

- 1.1. The Executive Chairman of the Board of Directors (the “**Board**”), Mr Ismail Gafoore (the “**Chairman**”), chaired the Meeting. On behalf of the Board, the Chairman welcomed the attendees who had joined the virtual AGM.

2. QUORUM

- 2.1. The Chairman acknowledged and thanked the shareholders who had registered and attended this virtual AGM by either watching or listening to the AGM proceedings through Live Webcast.
- 2.2. There being a quorum, the Chairman called the AGM to order.
- 2.3. The Chairman introduced his fellow Board members (Dr Ahmad Bin Mohamed Magad (“**Dr Magad**”), Mr Kan Yut Keong, Mr Low Wee Siong, Mr Kelvin Fong Keng Seong) and Chief Financial Officer (“**CFO**”) (Mr Cheong Yew Meng), who attended the Meeting remotely by electronic means. He added that the Company’s key management, Auditor, Company Secretary, Polling Agent and Scrutineer had also joined Meeting electronically.

3. NOTICE OF MEETING

- 3.1. With the concurrence of the Meeting, the notice convening the AGM dated 4 April 2022 (“**Notice**”) published on the SGXNet and the Company’s corporate website on 4 April 2022, was taken as read.
- 3.2. The Chairman informed that shareholders would not be able to vote “live” on the resolutions tabled for approval at the AGM but could exercise their voting rights at the AGM by appointing the Chairman of AGM as their proxy. As shareholders had appointed Chairman as their proxy to vote on their behalf, he would vote in accordance with their instructions. The Chairman then demanded all proposed resolutions detailed in the Notice of AGM be voted by way of poll.
- 3.3. The Chairman further informed that (a) Entrust Advisory Pte. Ltd. and Tricor Singapore Pte Ltd were appointed as Scrutineer and Polling Agent respectively; and (b) the Polling Agent had counted the proxy votes received as at the cut-off date and the Scrutineer had verified the results of the proxy voting and prepared a report on the poll results. The poll results would be announced immediately after each motion had been formally proposed.

4. CORPORATE PRESENTATION

- 4.1. Chairman invited CFO to present the financial highlights, while he followed up with the business updates on PropNex Group. The presentation slides are annexed to these minutes as Appendix 1. Key points are set out below:

Financial highlights

Key points from CFO included:

- PropNex had recorded Group revenue of approximately S\$957.5 million and strong cash position of approximately S\$145 million as at 31 December 2021. PropNex was the first real estate agency in Singapore with over 10,000 salespersons and had crossed 11,125-mark as at 17 February 2022. During financial year ended 31 December 2021 (“FY2021”), a new department had been established as part of the Group’s strategic expansion into Good Class Bungalows (“GCB”) Luxury Landed segment.
- Total dividend payout for FY2021 was 12.5 Singapore cents per share, amounted to 77% of the Group’s profit after tax and non-controlling interests in FY2021, representing yield of 7.1%.
- Income Statement (FY2021 versus FY2020) with highlights on:
 - (a) Revenue increased by 87% from S\$513.4 million in FY2020 to S\$957.5 million in FY2021 mainly due to the increases in commission income from rental, HDB resale, project marketing, private resale and landed resale agency services.
 - (b) Gross profit increased to S\$101.8 million and gross margin was 10.6% as at 31 December 2021.
 - (c) Staff costs increased by 19% to S\$16.8 million in FY2021 as compared to \$14.1 million in FY2020 mainly attributable to salary increment, higher provision for performance-linked bonuses due to better performance in FY2021, and increase in average headcount from 128 in FY2020 to 137 in FY2021.
 - (d) Other expenses increased by approximately 21% from S\$9.9 million in FY2020 to S\$12 million in FY2021 mainly due to more corporate events and marketing expenses as well as recruitment expenses due to the growth of salesforce in FY2021.
 - (e) as a result of the foregoing, profit after tax increased by approximately 112% from S\$30.7 million in FY2020 to S\$65.1 million in FY2021.
- Compound annual growth rate of revenue in agency and project marketing segments from FY2015 to FY2021 exceeded 30%.
- Compound gross profit & margin, net profit & margin from FY2015 to FY2021 exceeded 30%.
- As shown in the pie chart, the brokerage revenue contribution from each of the respective five segments in FY2021 had grown between 36% to 146% as compared to previous financial year: (i) rental by 36%; (ii) HDB resale by 48%; (iii) project marketing by 99%; (iv) private residential resale by 127%; and (v) landed resale by 146%.

The Meeting was handed back to Chairman after CFO’s presentation.

Securities Investors Association (Singapore) (“SIAS”) had raised questions pertaining to the Board’s management of risks of market correction/slowdown and the Chairman explained that PropNex Group had multiple streams of revenue and was not overly reliant on any single segment. Despite that project marketing contributed most to the Group’s revenue (being 43% in FY2020 and 46% in FY2021), the other four segments collectively contributed more than 50% to the Group’s brokerage revenue. The resale, HDB and landed markets remained stable and were not hugely impacted by any cooling measures implemented by government. Hence, any adverse effect on one segment would be mitigated by the other segments.

Business updates received from the Chairman

Key points from Chairman included:

- Effects of cooling measures announced on 15 December 2021: (i) Singaporeans buying their first home were not affected by cooling measures and they faced less competition in searching for property in core central region (“**CCR**”); (ii) upgraders entering resale market could be in better position to negotiate on prices; (iii) investors and foreigners were affected by the hike in ABSD rates from 20% to 30%, which would affect demand for second and subsequent residential property, and high-end CCR projects would soften and slow down; and (iv) challenges in collective sale market for CCR sites as investment demand moderated and lack of foreigners entering the market. Nevertheless, there was strong demand in Outside Central Region (“**OCR**”) and Rest of Central Region (“**RCR**”). Broadly, each segment had interest from different group of people and thus no cooling measures would affect the entire property market. PropNex salespersons were trained to focus on its strengths and needs of customers.
- Property price track record from 1997 to 2022Q1 – The implementation of cooling measures in previous years had eradicated speculators and made the real estate market more resilient. For instance, for the last round of cooling measures in July 2018, property prices dipped only 0.7% for two quarters and, went up by 3.4% in the subsequent three quarters. During the Covid-19 outbreak in 2020 when the market was uncertain, the property price only went down 1% for a quarter and then increased for the subsequent seven quarters up to over 13.4%, which had prompted government to implement new cooling measures in December 2021 to moderate the property prices. Therefore, the private property market in Singapore was expected to remain resilient despite the recent cooling measures in December 2021. The private residential price index and HDB resale price index, predictions on private residential home prices (included by regions) and HDB resale home prices were illustrated in slide 19. For 2022, the private residential home prices were expected to rise by 3-5%, while HDB resale home prices were expected to rise by 6-8%. Based on the foregoing, the real estate market was anticipated to remain resilient despite the December 2021 cooling measures.
- Sustainable demand from Singaporeans and Singapore Permanent Residents - The market demand of non-landed private homes (both new and resales) were mainly locals. Singaporeans and Singapore Permanent Residents continued to be the largest group of buyers after the new cooling measures. In 2011, Singaporeans and Singapore Permanent Residents made up about 79.3% of buyers and the percentage had increased to 96.1% in 2021. Therefore, the market for private homes had remained resilient despite the cooling measures.
- As per the data from the Urban Redevelopment Authority, total transaction volume for new launches (including executive condominium) in 2021 amounted to 15,146 units. This had surpassed the last highest transaction volume in 2017 which recorded high at 14,577 units. The market data reflected a strong underlying demand for Singapore residential property.
- Market movements in 2022 – (i) to focus on first-timers and genuine buyers (who were not affected hugely by cooling measures), OCR and RCR unsold units in view of strong demands, EC markets (upcoming 3 ECs to be launched in 2022 with approximately 2,000 units); (ii) developers were pricing sensitively in the absence of foreigners’ interest in CCR, PropNex would focus on getting high net-worth Singaporeans the units in CCR. Despite the 30% ABSD, the properties in Singapore remained attractive in comparison to Hong Kong and other major cities; (iii) decoupling – investors that were interested of buying subsequent properties would go through decoupling process so that they would not be subjected to ABSD; and (iv) buying in trust.
- Based on the research, it was estimated that 31,325 units of HDB flats reaching 5-year Minimum Occupation Period in 2022. This group would be potential upgraders to EC,

OCR or RCR properties as they would have cash and profits after the sale of the HDB flats. PropNex would focus on this group as it had a bigger market share in this segment.

- The number of unsold new homes, at height of 36,839 units in 2019, had dwindled to an all-time low of 14,154 units as of fourth quarter 2021, lowest since end of second quarter 2017. The unsold homes included developments that had obtained planning approval from URA. In view of low number of new homes and strong demand, property price was unlikely to soften.
 - Sales volume for HDB resale, private resale and private new sale were expected to drop in 2022: (i) HDB resale by 5-10% to 28,000 to 29,000 units, in view of the delay in construction, healthy underlying demand in resale flats and the bumper stock of 31,000 flats that would reach 5-year MOP; (ii) private resale by 20%-25% to 15,000 to 16,000 units; and (iii) private new sale (excluded EC) by 20%-30% to 9,000-10,000 units. With lesser number of new homes available for sale, the transaction volume was expected to drop. Most of the small units were sold in 2021, the remaining bigger units would cost more in amount. The salespersons would expect to earn more for each unit sold. The higher amount would mitigate the drop in transaction volume.
 - In addition to the existing 107 projects with total units of 6,850, PropNex Group had been appointed as marketing agency for 27 projects with total of 6,332 units and expected to be launched in 2022.
 - Salesforce crossed 11,125-mark as at 17 February 2022 and 11,258 as at 13 April 2022. Chairman read out a question from SIAS's question *"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?"*. He recapped the Company's responses as provided and announced, that the larger sales force allowed greater market outreach. The Management saw that as an advantage. Coupled with superior training as well as strong IT tools provided by the Company, PropNex's salespersons continued to be more productive and effective in rendering good service. A chart compared the number of salespersons as well as the average salesperson productivity of two real estate agencies listed on SGX-ST was provided in the said response announcement.
 - Other updates including (i) contributions over S\$2 million to Community Chest, Chen Su Lan Children's Methodist Home and MENDAKI Singapore in 2021 jointly from Chairman, PropNex and its salespersons; (ii) penetration into new market - GCB and prestige landed and the appointment of Henry Lim as Head of GCB District Branch Director; (iii) virtual Property XPO'22 partnership with 30 developers and partners, speakers and Guest-of Honour, Minister Tan Kiat How, and more than 100,000 engagements, etc; and (iv) PropNex Monopoly Championship 2022 would take place from 7 May 2022 to 28 August 2022 exclusively for customers (all salespersons registered under URA and PropNex group employees were not allowed to participate) to help home investors in enhancing their understanding of financial literacy amidst cooling measures.
- 4.2. The corporate presentation slides were uploaded via SGXNet on 25 April 2022 for shareholders' reference.

5. QUESTIONS AND ANSWERS

- 5.1. After the corporate presentation, the Chairman informed that the Company's responses to the questions from shareholder and SIAS received prior to this AGM had been uploaded on the SGXNet on 19th and 21st April 2022 and made available on the Company's corporate website. The Company's responses are annexed to these minutes as Appendix 2.
- 5.2. The Chairman then proceeded with the items on the Agenda.

ORDINARY BUSINESS

**6. ORDINARY RESOLUTION 1:
AUDITED FINANCIAL STATEMENTS, DIRECTORS' STATEMENT AND AUDITOR'S REPORT**

6.1. The first item on the Agenda was to receive and adopt the Audited Financial Statements for FY2021 together with the Directors' Statement and the Auditor's Report thereon.

6.2. The Chairman proposed the motion. He informed that the Scrutineer had verified the poll results and the poll results were as follows:

	No. of votes	Percentage
For	315,854,473	99.999%
Against	2,500	0.001%

6.3. Accordingly, the Chairman declared Ordinary Resolution 1 carried.

6.4. It was **RESOLVED** that the Audited Financial Statements of the Company for FY2021 together with the Directors' Statement and the Auditor's Report be received and adopted.

**7. ORDINARY RESOLUTION 2:
DECLARATION OF FINAL DIVIDEND**

7.1. The second item on the Agenda was to approve the declaration of final dividend for FY2021. The final dividend, if approved, would be paid on 20 May 2022.

7.2. The Chairman proposed the motion. He informed that the Scrutineer had verified the poll results and the poll results were as follows:

7.3.

	No. of votes	Percentage
For	316,145,835	99.999%
Against	2,500	0.001%

7.4. Accordingly, the Chairman declared Ordinary Resolution 2 carried.

7.5. It was **RESOLVED** that the declaration of a final one-tier tax exempt dividend of 7.00 Singapore cents per ordinary share for FY2021 be approved.

**8. ORDINARY RESOLUTION 3:
DIRECTORS' FEES FOR FINANCIAL YEAR ENDING 31 DECEMBER 2022 ("FY2022")**

8.1. The third item on the Agenda was to approve the payment of Directors' fees for FY2022.

8.2. The Chairman proposed the motion. He informed that the Scrutineer had verified the poll results and the poll results were as follows:

	No. of votes	Percentage
For	316,144,835	99.999%
Against	3,500	0.001%

8.3. Accordingly, the Chairman declared Ordinary Resolution 3 carried.

8.4. It was **RESOLVED** that the Directors' fees of S\$228,000 for FY2022, payable half-yearly in arrears be approved.

**9. ORDINARY RESOLUTION 4:
RE-ELECTION OF MOHAMED ISMAIL S/O ABDUL GAFOORE**

- 9.1. The Chair of the Meeting to conduct proceedings for item no. 4(a) relating to the re-election of Mr Ismail Gafoore as Director was passed to Dr Magad, Lead Independent Director.
- 9.2. Dr Magad explained that Mr Ismail Gafoore was retiring by rotation pursuant to Regulation 117 of the Company's Constitution and he being eligible, had consented to continue in office.
- 9.3. Dr Magad proposed the motion. He informed that the Scrutineer had verified the poll results and the poll results were as follows:

	No. of votes	Percentage
For	316,027,635	99.962%
Against	120,700	0.038%

- 9.4. Accordingly, Dr Magad declared Ordinary Resolution 4 carried.
- 9.5. It was **RESOLVED** that Mohamed Ismail s/o Abdul Gafoore be re-elected as Director of the Company. The Chair of the Meeting was then passed back to Chairman.

**10. ORDINARY RESOLUTION 5:
RE-ELECTION OF AHMAD BIN MOHAMED MAGAD**

- 10.1. The Chairman explained that Dr Magad (a) was retiring by rotation pursuant to Regulation 117 of the Company's Constitution and he being eligible, had offered himself for re-election; and (b) will remain as Chairman of the Remuneration Committee and member of Audit and Nominating Committees upon his re-election as Director.
- 10.2. The Chairman proposed the motion. He informed that the Scrutineer had verified the poll results and the poll results were as follows:

	No. of votes	Percentage
For	314,893,135	99.603%
Against	1,255,200	0.397%

- 10.3. Accordingly, the Chairman declared Ordinary Resolution 5 carried.
- 10.4. It was **RESOLVED** that Ahmad Bin Mohamed Magad be re-elected as Director of the Company.

**11. ORDINARY RESOLUTION 6:
RE-APPOINTMENT OF AUDITORS**

- 11.1. The retiring auditors, KPMG LLP had indicated their willingness to accept re-appointment as auditors of the Company.
- 11.2. The Chairman proposed the motion. He informed that the Scrutineer had verified the poll results and the poll results were as follows:

	No. of votes	Percentage
For	316,114,135	99.989%
Against	34,200	0.011%

- 11.3. Accordingly, the Chairman declared Ordinary Resolution 6 carried.
- 11.4. It was **RESOLVED** that Messrs KPMG LLP be re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to fix their remuneration.

SPECIAL BUSINESS**12. ORDINARY RESOLUTION 7:
AUTHORITY TO ALLOT AND ISSUE SHARES**

12.1. The Meeting ensued with the deliberation on special business of the Agenda. The Chairman explained that proposed resolution 7 was to seek shareholders' approval to authorise Directors to allot and issue shares pursuant to Section 161 of the Companies Act 1967 and the provision of the Listing Manual of the SGX-ST.

12.2. The Chairman proposed the motion. He informed that the Scrutineer had verified the poll results and the poll results were as follows:

	No. of votes	Percentage
For	308,717,000	97.649%
Against	7,431,335	2.351%

12.3. Accordingly, the Chairman declared Ordinary Resolution 7 carried.

12.4. It was **RESOLVED** that authority be and is hereby given to the Directors to:

- (a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution), shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with subparagraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities;

- (ii) new shares arising from exercising share options or vesting of share awards, provided the share options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
 - (iii) any subsequent bonus issue or consolidation or sub-division of Shares, provided further that adjustments in accordance with sub-paragraphs (2)(i) and (ii) above are only to be made in respect of new Shares arising from convertible securities, share options and share awards which were issued and are outstanding or subsisting at the time of the passing of this Resolution;
- (3) in this Resolution, “subsidiary holdings” shall have the meaning ascribed to it in the Listing Manual of the SGX-ST;
 - (4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable requirements under the Companies Act 1967 and the Constitution of the Company for the time being; and
 - (5) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

**13. ORDINARY RESOLUTION 8:
RENEWAL OF SHARE BUY-BACK MANDATE**

- 13.1. The last item on the Agenda was to seek shareholders’ approval for the proposed renewal of Share Buy-Back Mandate. The rationale and all pertinent information relating to the proposed renewal of Share Buy-Back Mandate had been set out in the Appendix to the Notice.
- 13.2. The Chairman proposed the motion. He informed that the Scrutineer had verified the poll results and the poll results were as follows:

	No. of votes	Percentage
For	316,144,835	99.999%
Against	3,500	0.001

- 13.3. Accordingly, the Chairman declared Ordinary Resolution 8 carried.
- 13.4. It was **RESOLVED** that:
 - (a) Authority be and is hereby given to the Directors, in accordance with Sections 76C and 76E of the Companies Act 1967 of Singapore (the “**Act**”) and Part XIII of Chapter 8 of the Listing Manual of the SGX-ST, to purchase or otherwise acquire Shares (“**Share Buy-Back Mandate**”) not exceeding in aggregate the Maximum Limit (as defined below), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined below), whether by way of:
 - (i) on-market purchases transacted on the SGX-ST through the SGX-ST trading system or as the case may be, any other securities exchange on which the ordinary shares may, for the time being, be listed and quoted (“**Market Purchases**”); and/or
 - (ii) off-market purchases in accordance with any equal access scheme(s) as defined in Section 76C of the Act as may be determined or formulated by the Directors as

they may consider fit and in the best interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual of the SGX-ST (“**Off-Market Purchases**”);

and in accordance with all applicable laws, regulations and rules;

- (b) any Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share in accordance with the Act;
- (c) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the proposed Share Buy-Back Mandate may be exercised by the Directors of the Company at any time and during the period commencing from the passing of this resolution and expiring on the earliest of:
 - (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
 - (ii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked by the Company in a general meeting; or
 - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; and
- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this resolution.

In this resolution:

“Maximum Limit” means the number of Shares representing ten percent (10%) of the total issued ordinary share capital (excluding treasury shares and subsidiary holdings, if any) of the Company ascertained as at the date of the passing of this resolution unless the Company has put into effect a reduction of the share capital of the Company in accordance with the applicable provisions of the Act;

“Maximum Price” in relation to a Share to be purchased, means the purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price; and

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) market days on which the Shares were transacted on the SGX-ST or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, preceding the day of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to an Off-Market Purchase, as deemed to be adjusted for any corporate action that occurs during the relevant 5-day period and the day on which the purchase was made.

PROPnex LIMITED

Minutes of Annual General Meeting held on 25 April 2022

14. CONCLUSION

- 14.1. There being no other business to transact, the formality of business of the AGM had been concluded. The Chairman declared the Meeting closed at 10.46 a.m., and he thanked all present for their attendance and participation.

Confirmed as True Record of Proceedings held

Mohamed Ismail s/o Abdul Gafoore
Chairman

Date: 25 May 2022

Notes to the Minutes:

No party was required to abstain from voting on the resolutions put to vote at the AGM.



FY2021 ANNUAL GENERAL MEETING

DISCLAIMER

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FY2021 NPAT SOARS 109.6% TO \$65.4M

Revenue \$957.5m,
strong cash position
\$145m



Revenue

FIRST in Singapore
to cross **10,000-**
salespersons mark



Salesforce

Strategic
expansion into
GCB Luxury
Landed



New segment

Dividend pay-out
77%, yield 7.1%



Profits



FINANCIAL SNAPSHOT

FY2021 INCOME STATEMENT

(in S\$'000)	FY2021	FY2020	▲▼
Revenue	957,492	513,461	87%
COS	(855,705)	(457,880)	87%
GP	101,787	55,581	83%
GP%	10.6%	10.8%	
Other income	7,337	7,614	(4%)
Staff costs	(16,804)	(14,070)	19%
Dep. ROU	(2,210)	(2,545)	(13%)
Expenses	(12,077)	(9,948)	21%
Gain on disp. PPMC	637	-	NM
NPBT	78,670	36,632	115%
NP%	8.2%	7.1%	
Tax	(13,545)	(5,929)	129%
NPAT	65,125	30,703	112%
Discontinued Opt.	19	521	(96%)
Profit for period	65,144	31,224	109%

- Rental ↑ 36% FY21: \$114.1m, FY20: \$84.1m
- HDB resale ↑ 48% FY21: \$128.1m, FY20: \$86.8m
- Proj. mktg ↑ 99% FY21: \$435.5m, FY20: \$218.7m
- Pte resale ↑ 127% FY21: \$213.2m, FY20: \$94.0m
- Landed resale ↑ 146% FY21: \$61.2m, FY20: \$24.9m

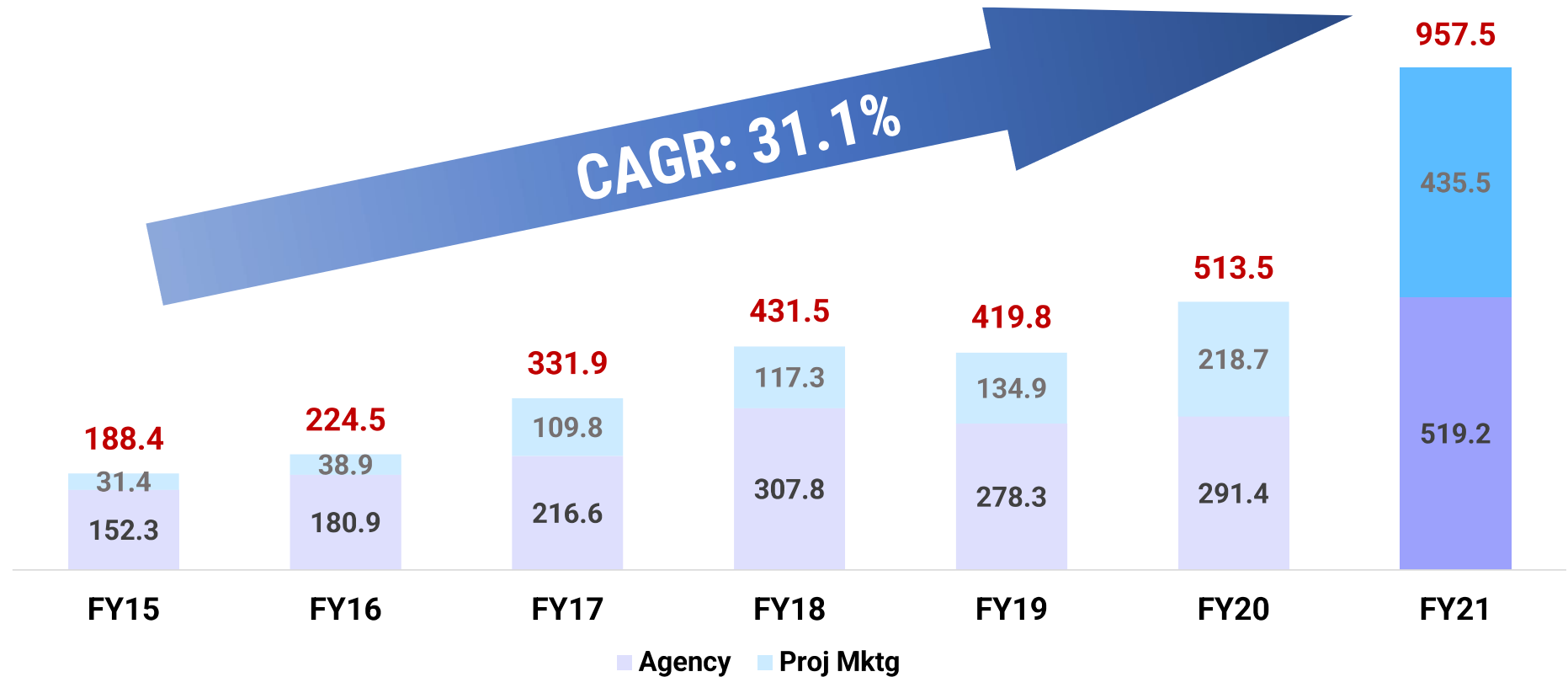
- Salary increment ↑ FY21: \$12.4m, FY20: \$10.9m
- Performance-linked bonus ↑ FY21: \$3.2m, FY20: \$2.1m
- Ave headcount ↑ from 128 to 137

- Discontinued branch office lease in Aug20

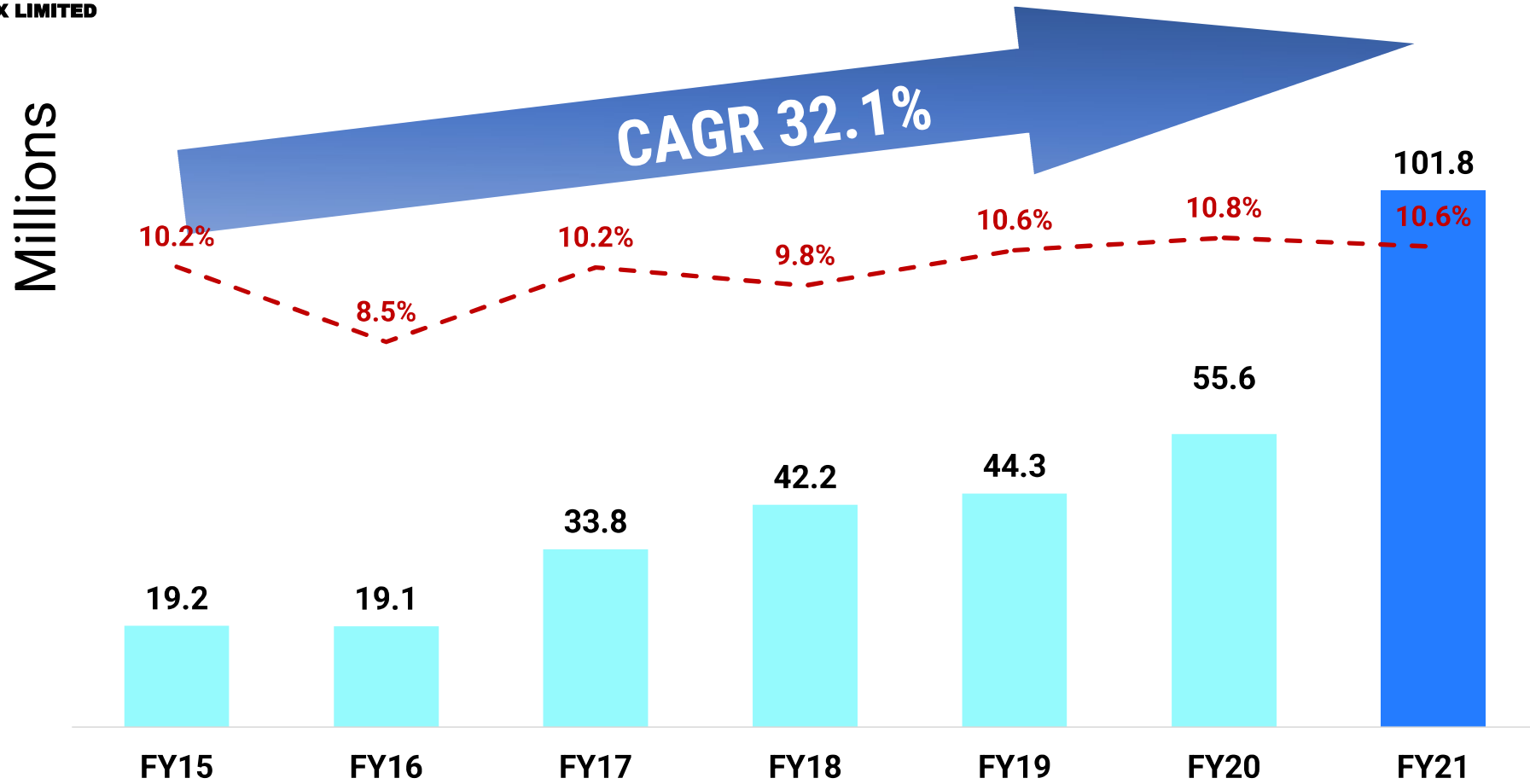
- Impair. loss on assoc. ↓ FY21: \$0, FY20: \$0.5m
- PPE w/o ↓ FY21: \$0, FY20: \$0.2m
- Corp. event ↑ FY21: \$0.6m, FY20: \$0.4m
- Corp. gift ↑ FY21: \$0.5m, FY20: \$0.1m
- Professional ↑ FY21: \$1.3m, FY20: \$1.1m
- Recruitment ↑ FY21: \$2.2m, FY20: \$0.9m
- Referral ↑ FY21: \$1.7m, FY20: \$1.1m

GROUP REVENUE

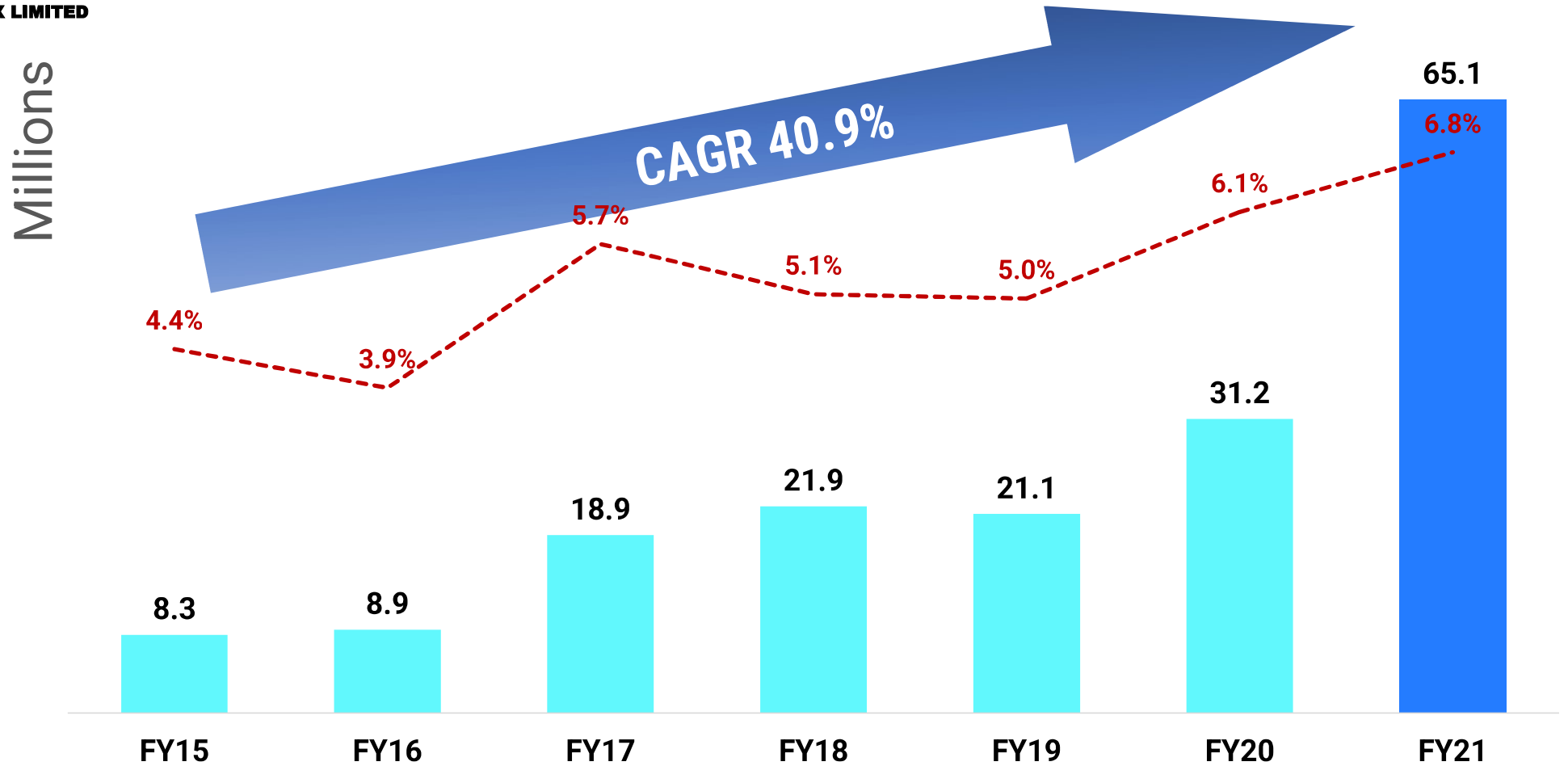
Millions



GROSS PROFIT & MARGIN



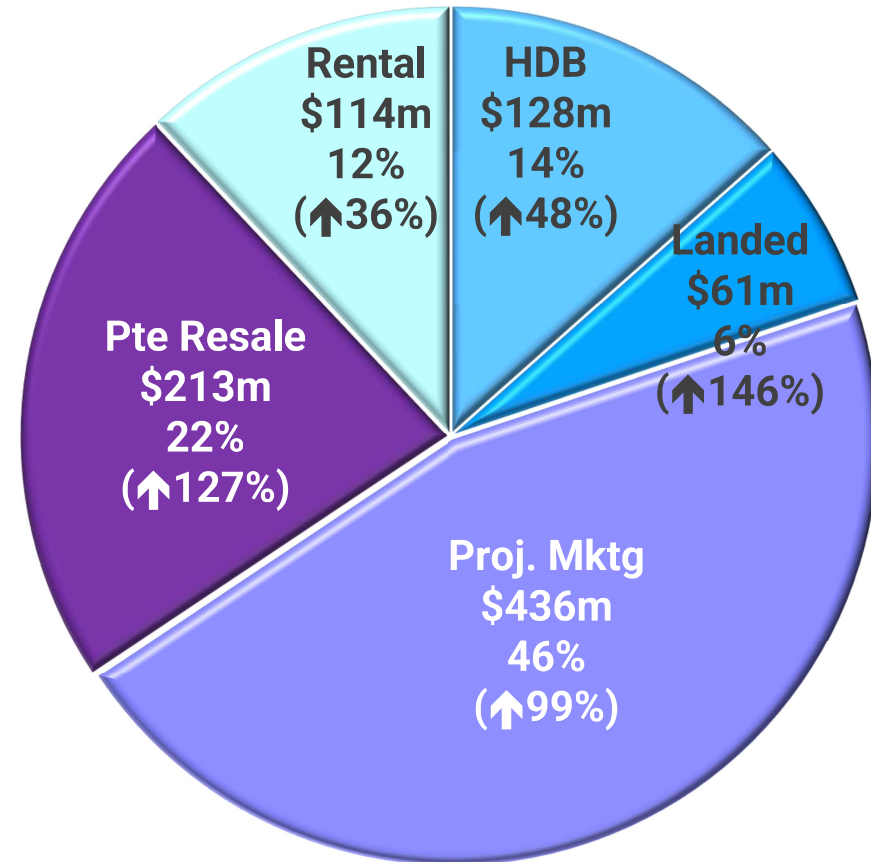
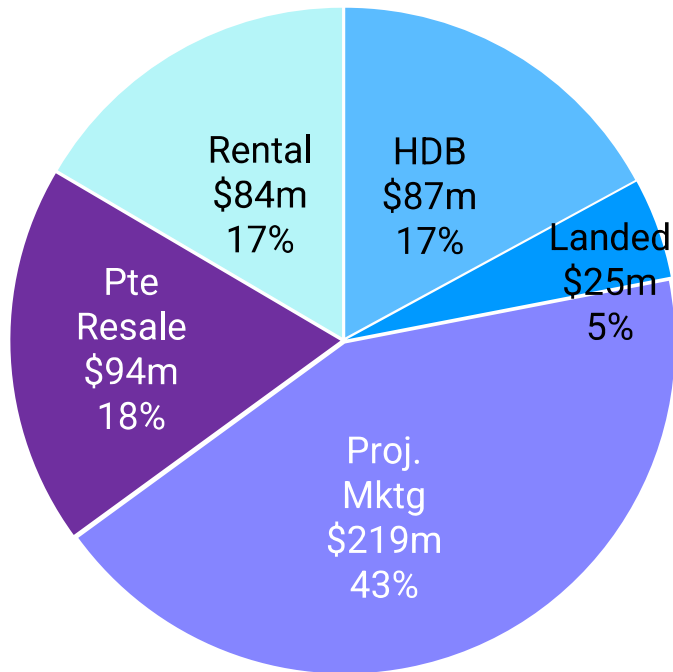
NET PROFIT & MARGIN



SEGMENT CONTRIBUTION

FY2021

FY2020





PropNex
Service You Trust
SINGAPORE
PROPnex LIMITED

BUSINESS UPDATES

WINNERS & LOSERS OF 15 DEC 2021 COOLING MEASURES

WINNERS



Singaporeans buying their first home

Measures will ensure that home prices do not rise rapidly and become more stable



Singaporeans looking to buy a property in the CCR

Face less competition from foreigners for units
(1) attractive prices for new launches
(2) could be in a better position to negotiate on prices for resale transactions



Upgraders entering the resale market

Sellers may be less aggressive with asking prices due to reduced TDSR from 60% to 55%

LOSERS

Purchasers buying a second and subsequent residential property

The hike in ABSD rates will soften investment demand



Foreigners

30% ABSD could prove to be concern for many foreign buyers, especially for big ticket purchase in CCR



Developers with CCR projects

High-end home demand will likely slow down as investment demand moderates and lack of foreigners entering the market

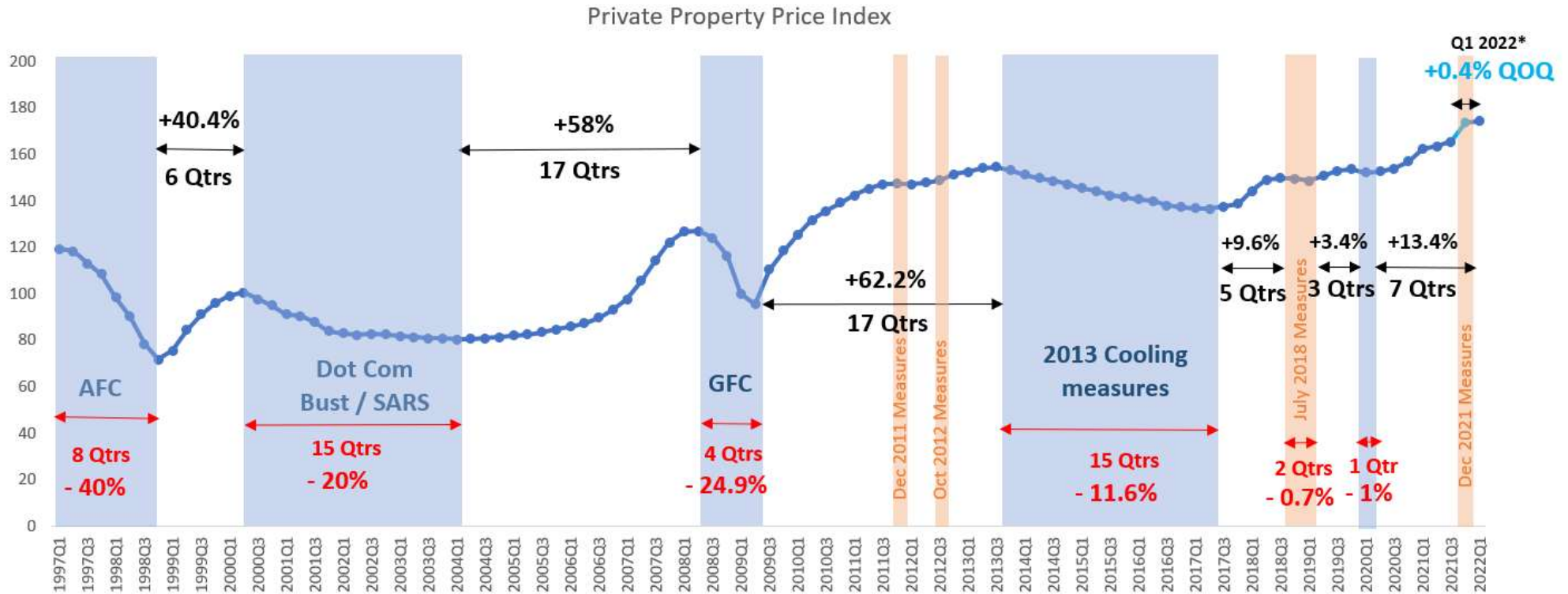


En bloc hopefuls

- Impact on the collective sale market may be uneven, with mega sites and CCR sites facing more challenges
- Collective sale sites in the OCR could still find buyers provided the owners are realistic on pricing



GOOD TRACK RECORD OF WEATHERING CRISIS

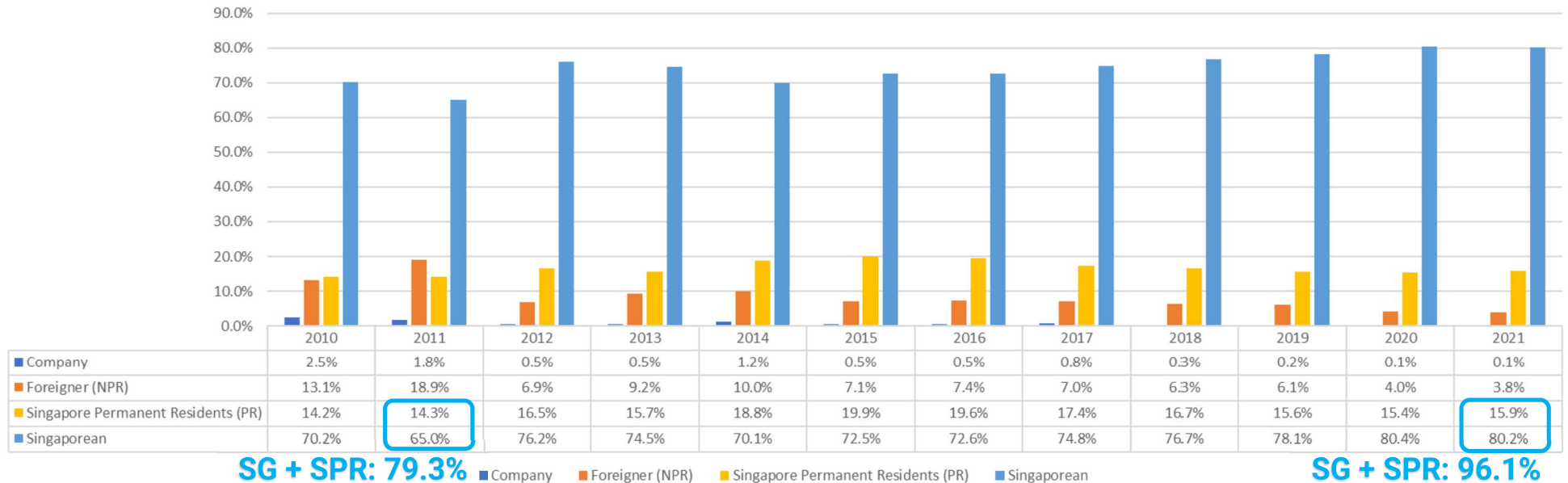


Source: PropNex Research, URA (*Flash estimates released on 1 Apr 2022)

From the last round of cooling measures in July 2018, property prices dipped only -0.7% for two quarters
Market is expected to be resilient despite this recent round of cooling measures

SUSTAINED DEMAND FROM S'POREANS & PRS FOR HOMES

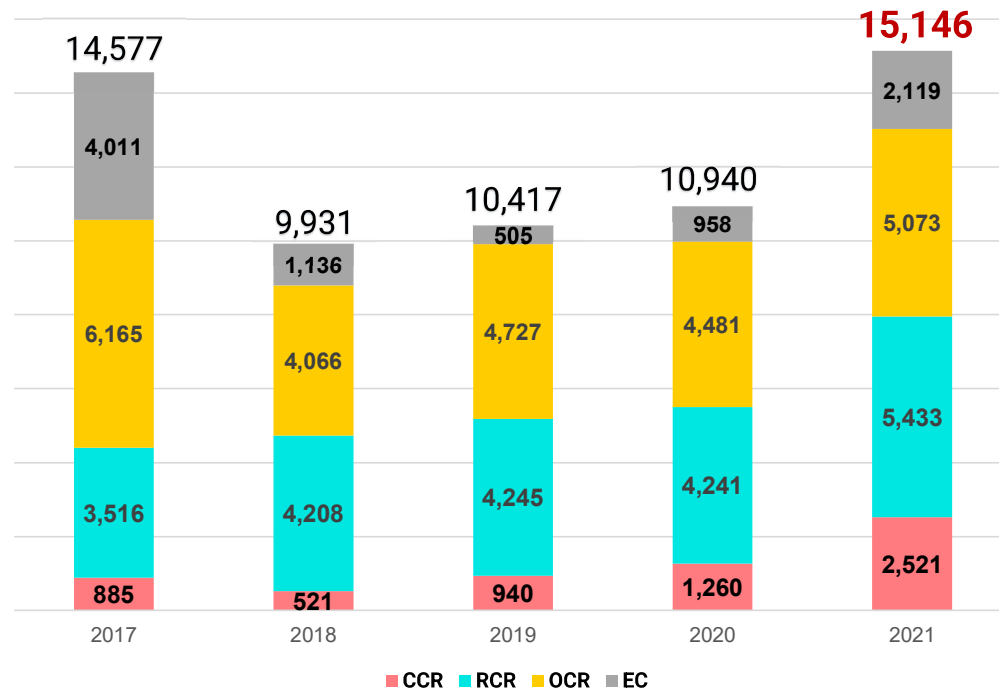
Proportion of non-landed private home sales by residential status (new sales and resales)



In 2011, Singaporeans and Singapore PRs make up about **79.2%** of buyers for non-landed home sales
 In 2021, Singaporeans and Singapore PRs make up **96.1%** of buyers (*16.8 percentage point % increase*)

2021 OVERALL PRIMARY SALES

New Home Sales Volume by Region (including EC)

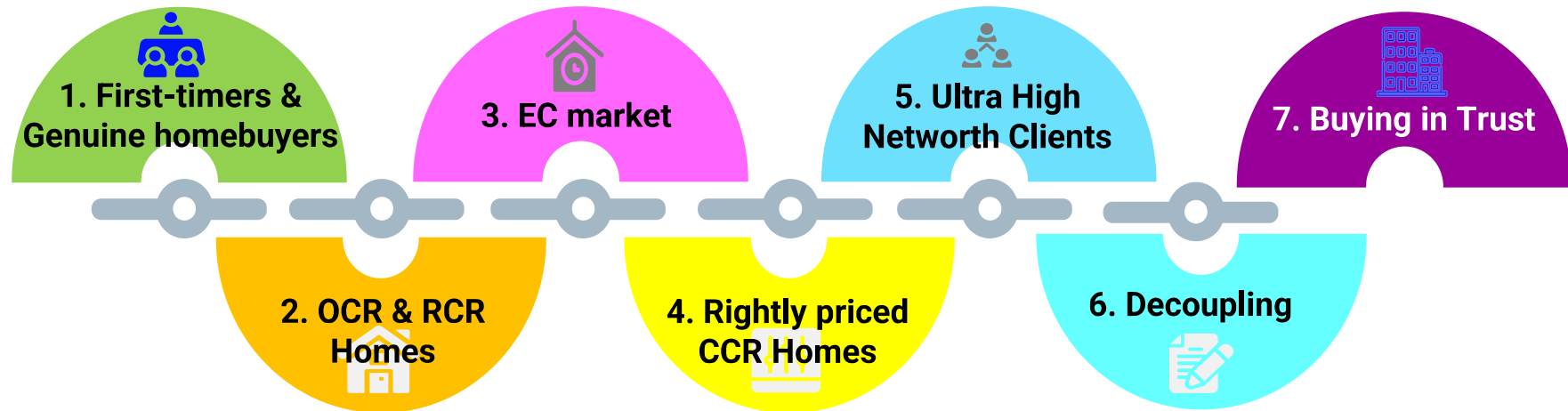


Source: PropNex Research, URA

- 1 More than 15,000 new homes (including EC) were sold in 2021
- 2 Total new sales in 2021 (incl. EC) surged by 38% YOY from 2020
- 3 2021 new sales (incl. EC) have surpassed the last high in 2017 (14,577 units sold)

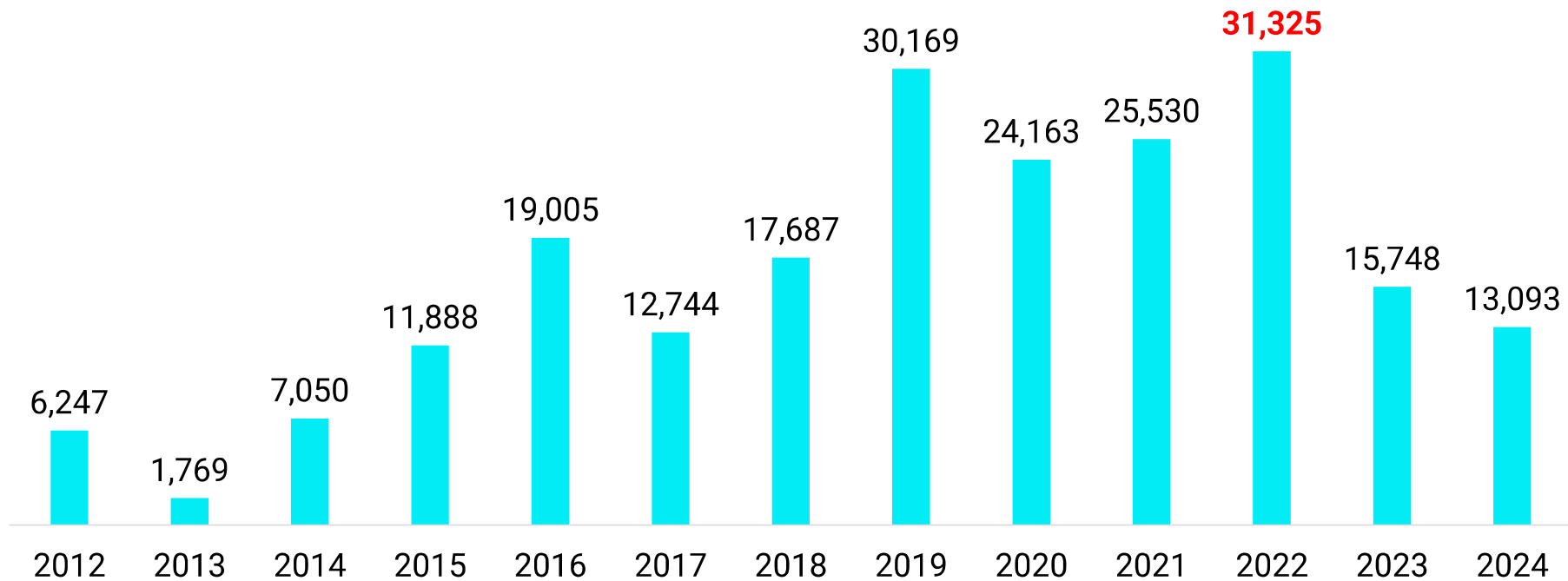
Strong underlying demand for SG residential property

MARKET MOVEMENTS - 2022



BUMPER CROP OF MOP HDB FLATS

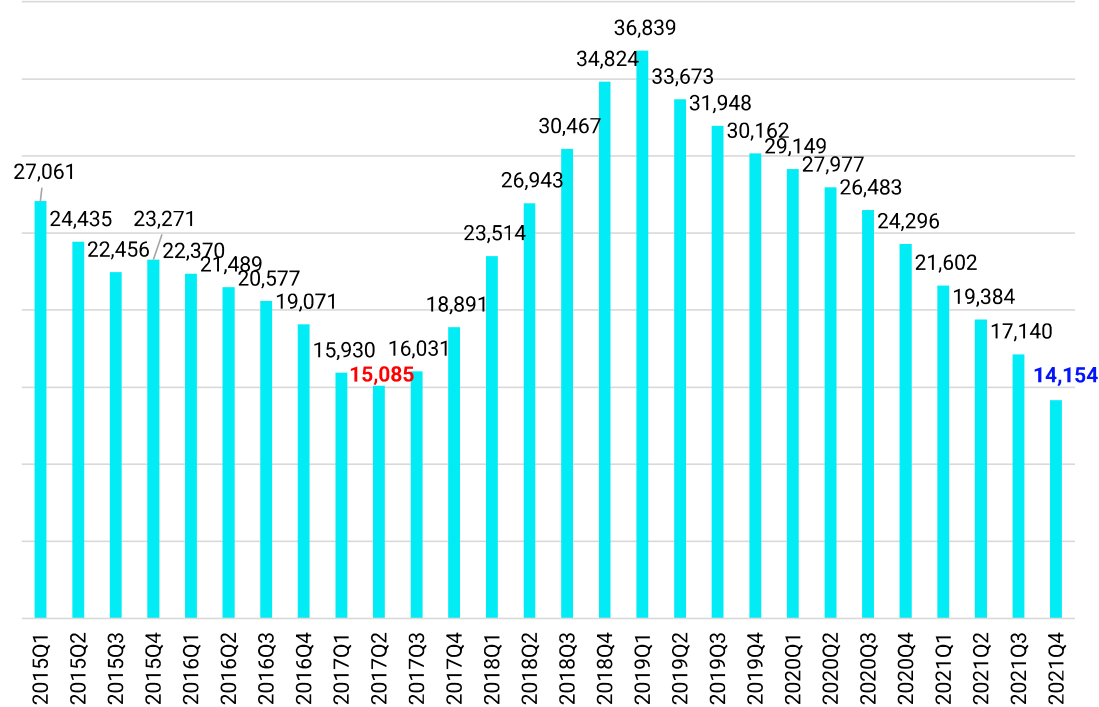
Estimated Number of HDB Flats Reaching 5-year MOP



Source: PropNex Research, HDB, Data.Gov

UNSOLD UNITS DIMINISHING

Total Uncompleted Unsold Units (excl ECs)



Source: PropNex Research, URA

Unsold Units By Region	CCR	RCR	OCR
Q1 2021	7,073	7,724	6,805
Q2 2021	6,839	6,706	5,839
Q3 2021	6,880	5,878	4,382
Q4 2021	5,876	4,306	3,972

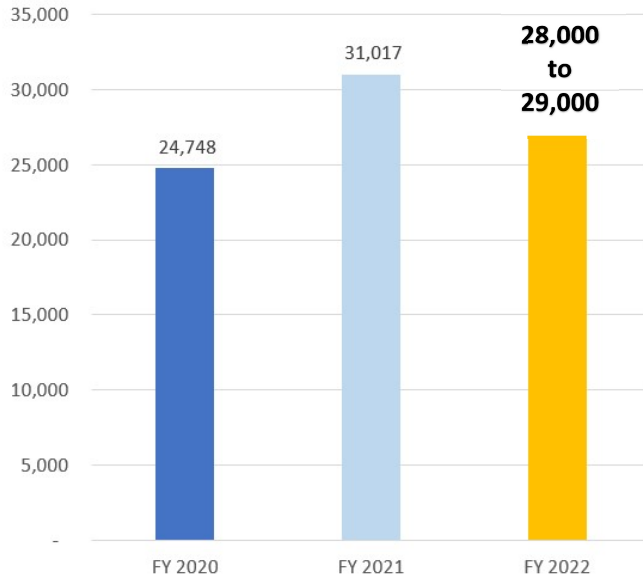
Source: PropNex Research, URA

Unsold inventory of new homes has fallen to an all-time low of **14,154** units as of **4Q2021**
Lowest figure since **2Q2017** which had a low of **15,085** unsold units



FORECAST: EASING OF SALES MOMENTUM IN 2022

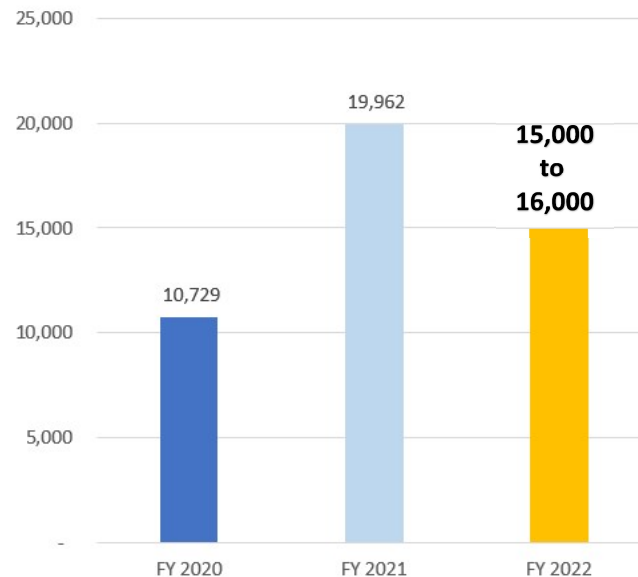
HDB Resale Volume



Source: PropNex Research, HDB

Projected volume for 2022 will drop by 5-10% to 28,000 to 29,000 units

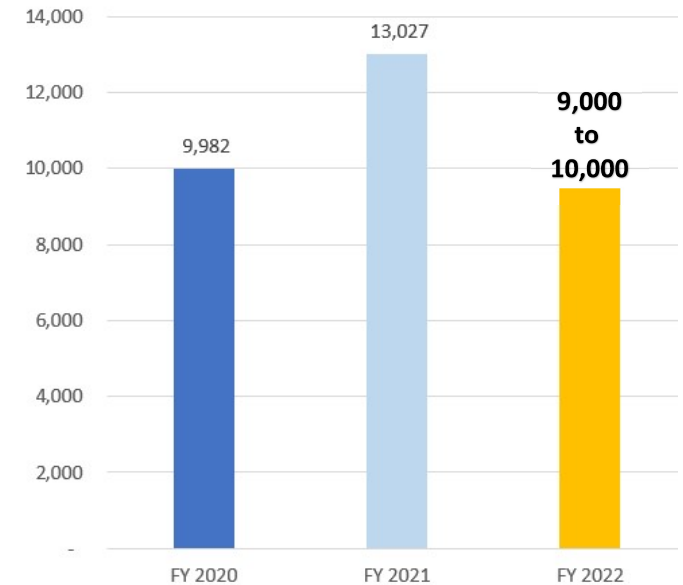
Private Resale Volume



Source: PropNex Research, URA

Projected volume for 2022 will drop by 20-25% to 15,000 – 16,000 units

Private New Sale Volume

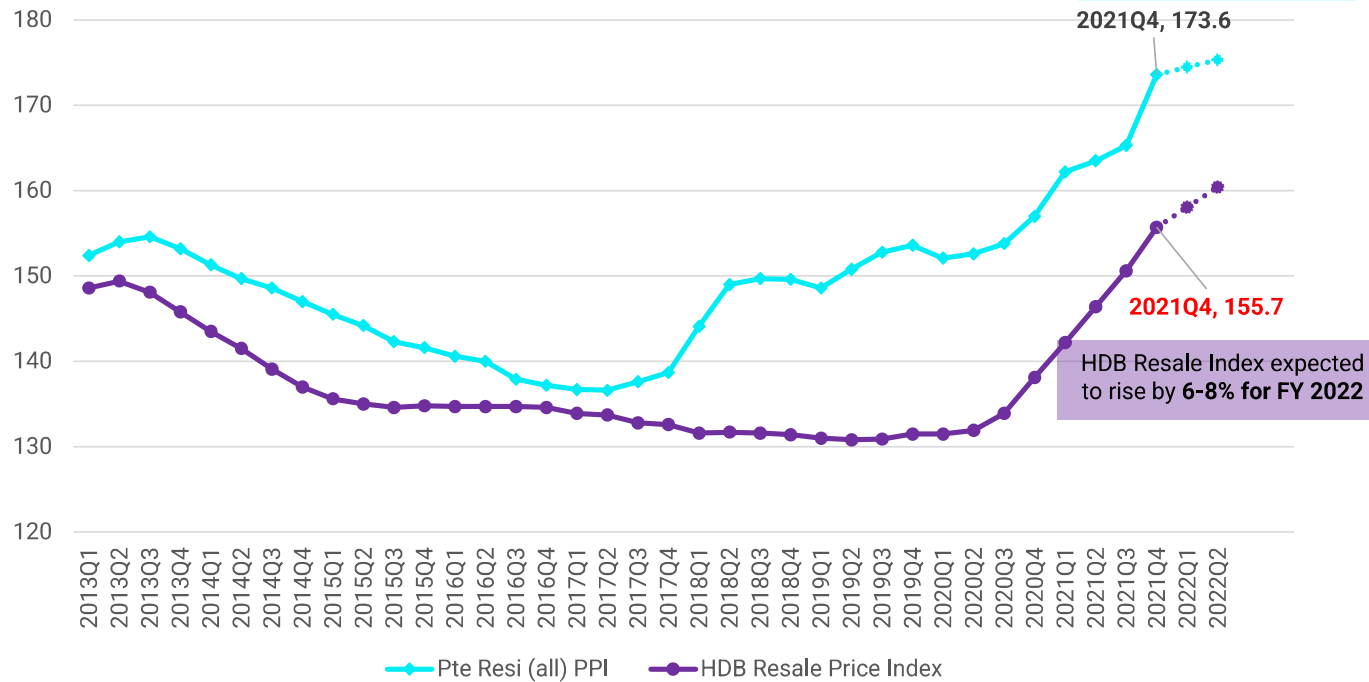


Source: PropNex Research, URA

Projected volume for 2022 will drop by 20-30% to 9,000 – 10,000 units

OUTLOOK PREDICTIONS: 2022 HOME PRICES

Private Residential Price Index (Overall) vs HDB Resale Price Index



Private Residential Price Index

Year	Y-on-Y change
2013	1.1%
2014	-4.0%
2015	-3.7%
2016	-3.1%
2017	1.1%
2018	7.9%
2019	2.7%
2020	2.2%
2021	10.6%
2022	3-5%

HDB Resale Price Index

Year	Y-on-Y change
2013	-0.6%
2014	-6.0%
2015	-1.6%
2016	-0.1%
2017	-1.5%
2018	-0.9%
2019	0.1%
2020	5.0%
2021	12.7%
2022	6-8%

Private residential home prices expected to grow 3-5% in 2022
HDB Resale home prices expected to grow by 6-8% in 2022



OUTLOOK PREDICTIONS: 2022 HOME PRICES

Private Residential Overall Price Index	PPI expected to rise by 3% - 5%
CCR	CCR prices expected to stagnate -2% - 0%
RCR	RCR prices expected to rise by 2% - 4%
OCR	OCR prices expected to rise by 3% - 5%
HDB Resale Price Index	HDB Resale Index expected to rise by 6% - 8%

ESTIMATED 27 PROJECTS LINED-UP IN 2022

The no. of units and estimated launch dates were gathered from developers

***PROPNE X APPOINTED AS MARKETING AGENCY**

S/N	Appointed Project	Location	District	Region	Tenure	Developer	No. of Units	Date of Launch
1	Belgravia Ace*	AMK Ave 5	28	OCR	FH	Tong Eng Brothers	107	Launched
2	Atlassia*	Joo Chiat place	15	RCR	FH	K16 Development	29	1Q 2022
3	Royal Hallmark*	Haig Lane	15	RCR	FH	Nobel Design,Lian Huat Group & 2E Capital	32	1Q 2022
4	The Arden*	2-24 Phoenix Road	23	OCR	99	Qingjian Realty	105	1Q 2022
5	North Gaia*	Yishun Ave 9 EC	27	OCR	99	Sing Holdings Limited	600	2Q 2022
6	Evelyn Newton*	1C Evelyn Road	11	CCR	FH	Victory land Pte Ltd	25	2Q 2022
7	Gems Ville*	Lorong 13 Geylang	14	RCR	FH	East Asia Geylang Development	24	2Q 2022
8	Sophia Regency*	105 Sophia road	14	RCR	FH	East Asia Sophia Development	38	2Q 2022
9	Baywind Residences*	Telok Kurau Lor N	15	RCR	FH	Baywind Properties/ Lim Wen Heng	24	2Q 2022
10	Sophia Ville / Fairhaven*	128 & 130 Sophia Road	9	CCR	FH	DB2 Land	84	2Q 2022

ESTIMATED 27 PROJECTS LINED-UP IN 2022

The no. of units and estimated launch dates were gathered from developers

***PROPNE X APPOINTED AS MARKETING AGENCY**

S/N	Appointed Project	Location	District	Region	Tenure	Developer	No. of Units	Date of Launch
11	Picadilly Grand*	Northumberland Road	8	RCR	99	CDL and MCL	405	2Q 2022
12	Sceneca Residences*	Tengah Merah Kechil Link	16	OCR	99	MCC Land	265	3Q 2022
13	LIV @ MB*	Arthur Road (fka Katong Park Towers)	15	RCR	99	Bukit Sembawang Estates	298	3Q 2022
14	Pollen Collection*	Nim Road/Ang Mo Kio Avenue 5	28	OCR	99	Bukit Sembawang Estates	30	3Q 2022
15	Lentor Modern*	Lentor Central	20	OCR	99	Guocoland	605	3Q 2022
16	TBA*	(fka Ji Liang Gardens)	15	OCR	FH	Hoi Hup and Sunway Development	18	3Q 2022
17	TBA*	Ang Mo Kio Ave 1	20	OCR	99	UOL, Singapore Group and Kheng Leong	370	3Q 2022
18	TBA*	2 Surrey Road	11	CCR	FH	Amara Holdings, Santarli Capital Venture and Kay Lim Realty	36	3Q 2022
19	TBA*	Tengah Garden Walk EC	24	OCR	99	CDL and MCL	615	3Q 2022
20	TBA*	Slim Barracks Rise (Parcel A)	5	RCR	99	EL Development	265	3Q 2022

ESTIMATED 27 PROJECTS LINED-UP IN 2022

The no. of units and estimated launch dates were gathered from developers

***PROPNE X APPOINTED AS MARKETING AGENCY**

S/N	Appointed Project	Location	District	Region	Tenure	Developer	No. of Units	Date of Launch
21	TBA*	Yew Siang Road (fka Flynn Park)	5	RCR	FH	Hoi Hup and Sunway Development	271	3Q 2022
22	TBA*	Slim Barracks Rise (Parcel B)	5	RCR	99	Kingsford Development	240	3Q 2022
23	TBA	Jalan Anak Bukit GLS	21	RCR	99	Far East Organisation & Sino Group	845	4Q 2022
24	TBA*	Tampines Street 62 EC	18	OCR	99	Qingjian Realty and Santarli Construction	590	4Q 2022
25	TBA*	Thiam Siew Ave	15	RCR	FH	Hoi Hup and Sunway Development	800	2022
26	TBA*	8 Shenton Way (AXA Towers)	2	CCR	99	Perennial Real Estate Holdings	190	2022
27	TBA*	36 Shelford Road (Watten Estate)	11	CCR	FH	UOL and Sing Land Group	266	2022
TOTAL UNITS TO BE LAUNCHED in 2022							7,177	
TO-DATE APPOINTED TO MARKET							6,332	

INVENTORY

EXISTING & 2022 PROJECTS



Existing Projects Still Marketing
(Landed, Non-landed & Retail)

Existing Inventory Still Marketing
(No of Units:
incl Landed, Non-landed & Retail)

107

6,850



No. of appointed projects
to be launched in 2022

Estimated total units
to be launched in 2022

27

6,332



TOTAL PROJECTS
MARKETING IN 2022

TOTAL UNITS
MARKETING IN 2022

132

13,182



WHAT SETS US APART

Largest Real Estate Agency
Resilient Business Model

ANOTHER MILESTONE

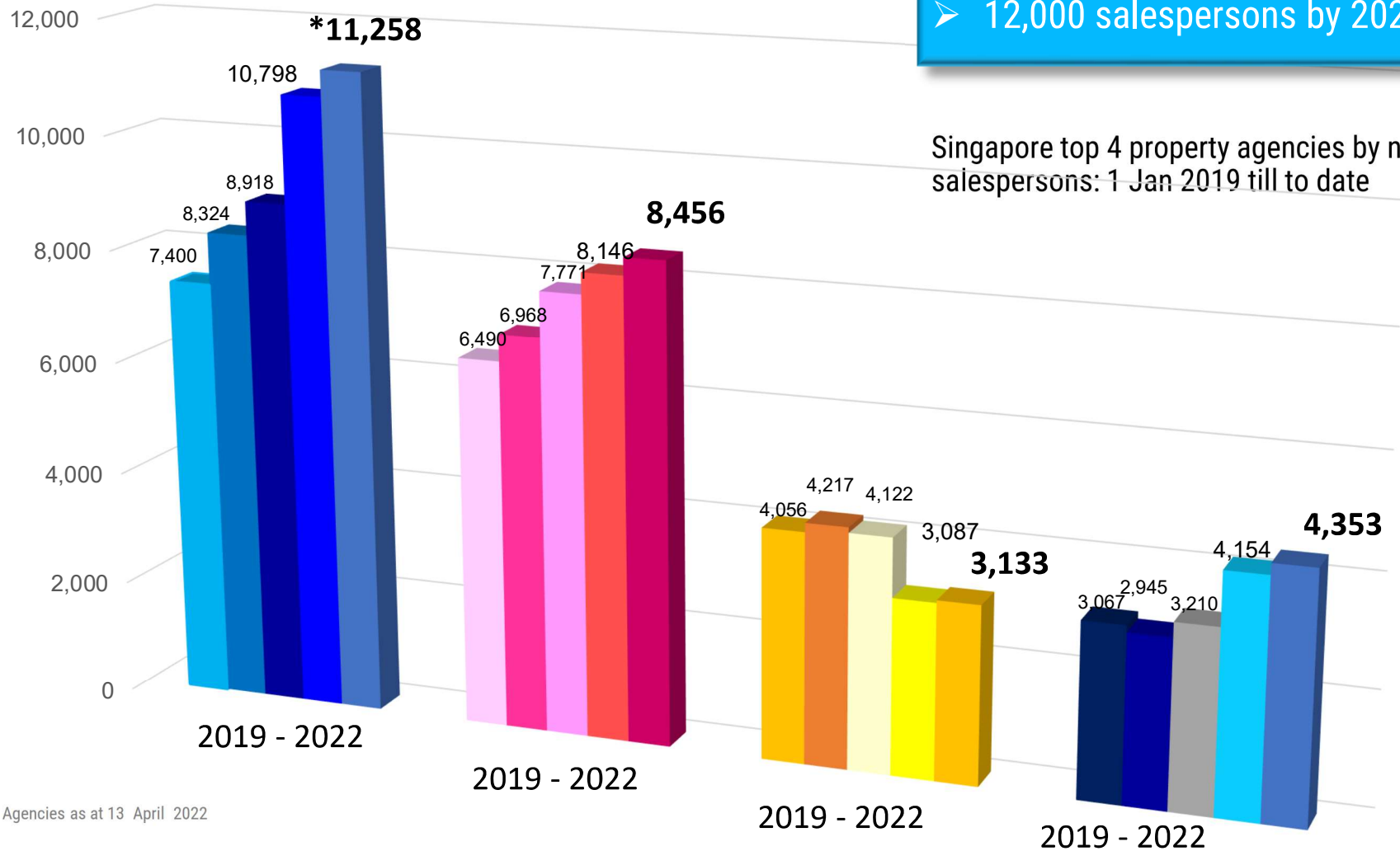
11,000 SALESPERSONS



**Likely to cross
12,000
salespersons by
end of 2022**

OUR SALESFORCE

✓ First to **cross 11,000** mark
➤ 12,000 salespersons by 2022



Singapore top 4 property agencies by number of salespersons: 1 Jan 2019 till to date

*Source: The Council for Estate Agencies as at 13 April 2022

CONTRIBUTION TO COMMUNITY

Contributed over

\$2,000,000

To **charity** and
education bursaries in 2021



NEW MARKET PENETRATION



INTRODUCING

PropNex

GCB

PRESTIGE LANDED

HENRY LIM
Head of Good Class Bungalows
District Branch Director

The advertisement features a dark blue background with a golden particle trail curving across the bottom. On the right, a portrait of Henry Lim, a man in a dark suit and blue tie, is shown. He has a PropNex logo on his lapel. The text 'INTRODUCING PropNex GCB PRESTIGE LANDED' is displayed on the left side of the image.

The team will also spur business growth and market share in the GCB and prestige landed deals. This will further complement our existing salespersons who are already in the high-end segment



26, 27 March & 3, 4 April 2022



Key Featured Sessions



It has been 100 days since stiffer property cooling measures were implemented to co...



Critical Facts ALL First-time Buyers Must Know



How will Sell 1 Buy 2 Strategy Work After ABSD #3? What Are The Risks?



An exclusive dialogue between CEO Ismail Gafoor and Guest-of-Honour, Mr Tan Kiat...



- 100K ENGAGEMENT
- TENS OF THOUSAND attendees
- 30 DEVELOPERS & PARTNERS
- TWENTY-FIVE Power Hybrid Workshops
- 20 KEYNOTE Speakers
- THREE LEVELS of Learning (First-timer, Upgrader and Investor)
- Guest-of Honour Minister Tan Kiat How





PROPNEX
MONOPOLY
CHAMPIONSHIP

<https://monopoly.propnex.com/>



LIMITED SLOTS ONLY

JOIN THE EARLY BIRD REGISTRATION
TO SECURE YOUR SLOT.

REGISTER NOW

**EMPOWERING
FINANCIAL
LITERACY**



REGISTRATION NOW OPEN

HELPING HOME INVESTORS

For a better understanding of Financial Literacy
amidst cooling measures



Estimated over
10,000 consumers
participating



COMING UP



May – Aug 2022
www.propnex.com



HOW IT WORKS?



Participants must be above 18 years and above, no medical condition. All Real estate salespersons registered under CEA and staff of PropNex group of companies do not qualify for this challenge.

MONOPOLY CHAMPIONSHIP

Publicity and Promotions



14 Buses islandwide
15 February – May 2022

MONOPOLY CHAMPIONSHIP

Publicity and Promotions



100 Taxis islandwide
March – June 2022



MONOPOLY CHAMPIONSHIP

Publicity and Promotions

MRT stations (City Hall & Toa Payoh station)
April – May 2022



Platform A3
(to Jurong East)

	A3 Left	A3 Inner	A3 Right	A3 Face Door
289cm(h)				
92cm(w)	135cm(w)	92cm(w)	135cm(w)	

Platform B3
(to Joo Koon)

	B3 Right	B3 Face Door	B3 Left	B3 Inner
289cm(h)				
92cm(w)	135cm(w)	92cm(w)	135cm(w)	



MONOPOLY CHAMPIONSHIP

Publicity and Promotions

Branding & Awareness

Television, Radio and Social Media Advertising

(Shot to be in wider view)



Frame 01 - Starts off with PropNex Monopoly board and tokens, ends with PropNex Edition Monopoly logo.

Video clip: C9006
 Duration: 0:07-0:05 (reverse) (0:00)



Frame 02 - A close up shoot of the board with a hand playing with the token. Monopoly Championship emblem appears, in a spinning animation.

VO: PropNex Monopoly Championship
 Video clip: C8988
 Duration: 0:00-0:03 (slow down) (0:02)



Frame 03 - Shot of 3 players playing.

VO: Over \$300,000 cash prizes
 Video clip: C8983
 Duration: 0:00-0:05 (0:07)



Frame 04 - One girl as the champion shouts in excitement. With 3 other players on her side.

VO: Be a Champion and win \$108,000.
 Video clip: C8973
 Duration: 0:07-0:08 (0:12)



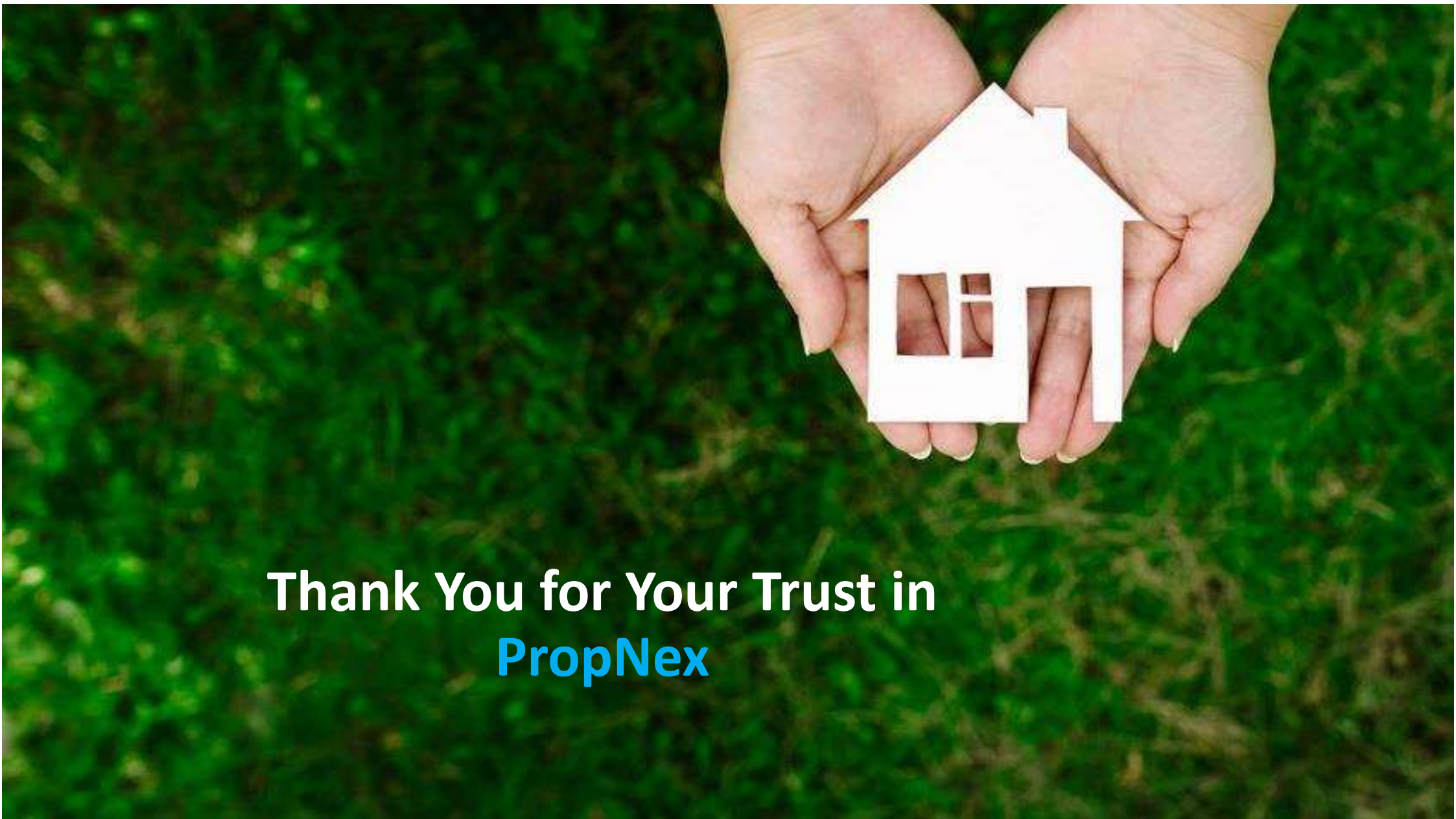
Frame 05 - Showing 4 players in the frame.

VO: Register Now at monopoly.propnex.com, Limited Slots.
 Video clip: C8993
 Duration: 0:03-0:05 (0:13)



Frame 06 - Camera zooms and focus on the Monopoly set. The players in the background laughing and celebrating.

VO: Register now at monopoly.propnex.com LIMITED SLOTS ONLY
 Video clip: C9014
 Duration: 0:10-0:12 (0:15)



**Thank You for Your Trust in
PropNex**



PROP Nex LIMITED
(Company Registration No.: 201801373N)
(Incorporated in the Republic of Singapore)

**ANNUAL GENERAL MEETING TO BE HELD ON 25 APRIL 2022
RESPONSES TO SHAREHOLDER'S QUESTION**

The Board of Directors (the “**Board**”) of PropNex Limited (the “**Company**”) would like to thank shareholder for submitting question in advance of the Annual General Meeting to be held by way of electronic means on Monday, 25 April 2022 at 10.00 a.m. (Singapore time).

The following is the Company’s response to the corresponding question from the shareholder:

Question from shareholder

Thanks for the results. Where is PropNex looking at for the next stage of its growth? I noted that it closed its operations in Vietnam recently. Are there problems with scaling within ASEAN, and if so, what will bring PropNex into the next stage of its growth?

Company’s response

PropNex’s mode of business for franchisees allows ease of growth when the industry is strong as well as scaling back during adverse and transient economic situations.

Covid19 affected each country differently. In 2020, the effects on the real estate market in Vietnam had been more severe as compared to Singapore. As part of their restructuring, the Vietnam franchisee requested and the Company acceded to replace the Master Franchise Agreement with a Unit Franchise Agreement. As part of that change, PropNex sold its entire interest in PropNex Vietnam to the unit franchisee for a nominal amount. Notwithstanding, PropNex continues to maintain its presence in that country with a unit franchisee.

ASEAN has population in excess of 660 million with an annual GDP growth of 5% since 2006. It is the fifth largest economy after US, China, Japan and Germany. The Company had announced in May 2021 of its expansion into Cambodia with a master franchise agreement and ASEAN will continue to be a region of growth for the Company.

For new avenue of growth, PropNex created a division that focuses on the segment for Good Class Bungalow, which will provide new stream of business. The Company continues to seek new areas of growth that complement its existing businesses.

By Order of the Board

Ismail Gafoore
Executive Chairman and CEO
19 April 2022

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the “**Board**”) of PropNex Limited (the “**Company**”) would like to thank Securities Investors Association (Singapore) (“**SIAS**”) for the questions submitted to the Company on 18 April 2022 in relation to its annual report for the financial year ended 31 December 2021 (“**FY2021**”).

The Company’s responses to SIAS’s questions are set out below.

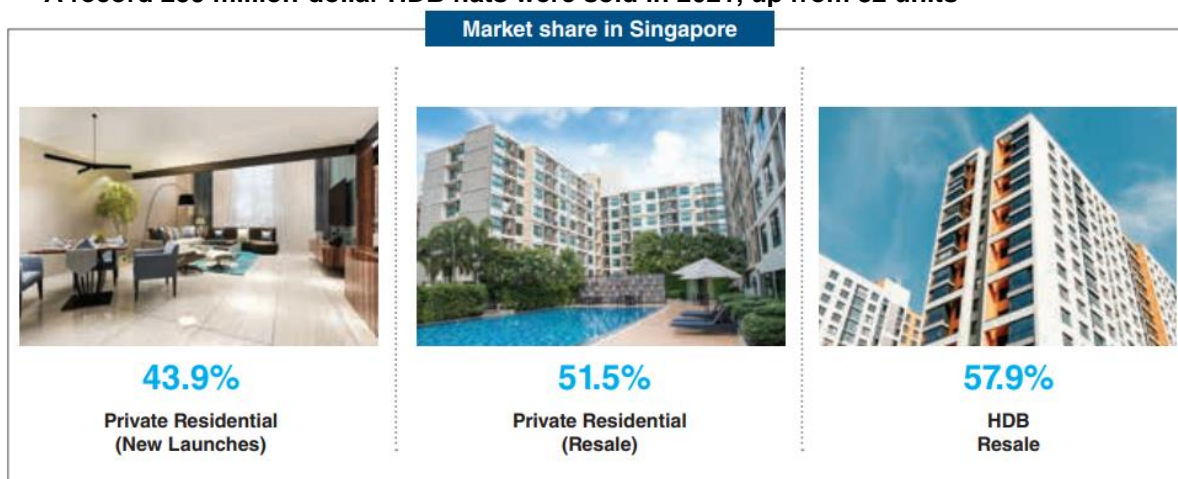
Question 1

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



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?
- (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?

Company's response

- (i) Characteristics and differences of below three segments

- a. Private residential new launches (or project marketing)

This segment comprises new projects put out for sale by private property developers. Developers are required to sell their projects within a period of 5 years from date when the land was acquired. This period includes the time needed for construction as well as the necessary effort to comply with regulations.

Developers that failed to meet the timeline to sell their new projects will have to incur additional stamp duties on the land. Hence, developers usually appoint one or more real estate agencies ("agencies") to market their projects to potential home buyers and investors.

When there are many agencies marketing these new launches, clients brought in by the agencies need to ballot when unit chosen has many potential buyers. Successful buyer and agency are subject to the luck of the draw.

- b. Private residential resale

The sellers in this segment are individuals who have bought private property as a residence or as an investment. Reasons to sell include the need for larger accommodation, for a more convenient location, and to realise the capital gain on the investment.

Real estate salespersons ("RES") are trained and licensed to buy and sell properties. In this industry, they have greater outreach to potential buyers. In addition, there are areas and regulations, where both sellers and buyers may not be fully aware, that need to be considered. Hence, these individual owners appoint RES to navigate the transaction and to market their properties.

The resale transaction can be closed when both seller and buyer agree on the price as well as the terms and conditions.

- c. HDB resale

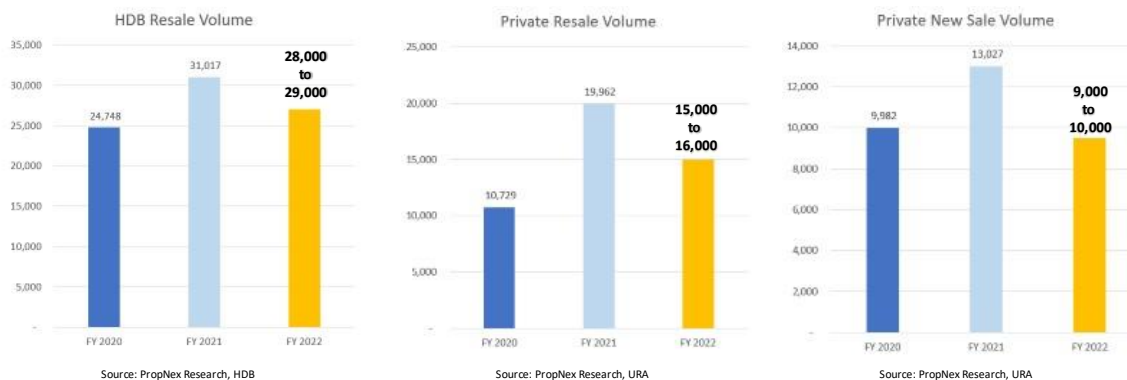
Similar to the private residential resale segment, however the sellers in this segment are individuals who have bought HDB apartments.

(ii) View of market and positioning

The year 2021 ended with a robust increase in the property price index. On 16 December 2021, the government introduced new cooling measures to stabilize the real estate prices. Management is of view that the government's move will ease the momentum in terms of price and volume.



FORECAST: EASING OF SALES MOMENTUM IN 2022



Source: PropNex Research, HDB

Source: PropNex Research, URA

Source: PropNex Research, URA

Projected HDB Resale volume for 2022 will drop by 5-10% to [28,000 to 29,000 units](#)

Projected Private Resale volume for 2022 will drop by 20-25% to [15,000 – 16,000 units](#)

Projected Private new sale volume for 2022 will drop by 20-30% to [9,000 – 10,000 units](#)

For the whole of 2021, overall private home prices had risen by a strong 10.6%, based on URA flash estimate. The management expects the pace of growth may ease to 3% to 5% in 2022, as the new cooling measures weigh on investment demand and ensure prices move in a more sustainable manner. Barring the Core Central Region which is more investor-reliant, prices in other housing segments such as the Rest of Central Region, Outside Central Region, HDB Executive Condominiums (“ECs”) and resale markets should remain fairly resilient owing to genuine demand from upgraders and local buyers, limited stock of unsold mass market homes, and in the case of ECs, their more affordable pricing and limited supply. Singaporeans continued to form the bulk of private housing demand in 2021, accounting for 83.6% of non-landed private new sales and 77.6% of non-landed private resale transactions during the year.

New home sales volume for 2021 was 13,027 units, representing more than 30% increase from 9,982 units in 2020. Whereas for the private resale market, 19,962 homes were resold in 2021, more than 86% increase up from 10,729 resale properties transacted in 2020. The management projects that those transactions may taper to 9,000 to 10,000 for private new home sales and 15,000 to 16,000 for resale properties in 2022.

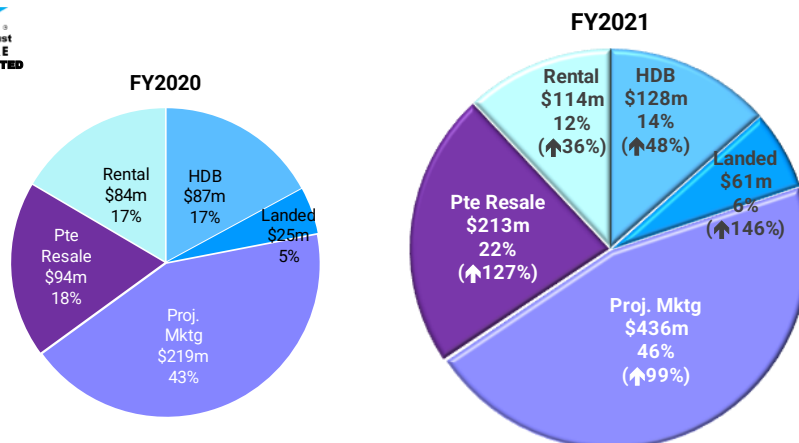
Based on HDB sales data for 2021, more than 31,000 flats were resold, which was above management's forecast of 30,000 units. Management expects between 28,000 to 29,000 HDB resale transactions for 2022 in anticipation of healthy underlying demand for resale flats as well as the bumper stock of flats that are reaching the 5-year Minimum Occupation Period in the same year.

(iii) Risks of market correction/slowdown

The Group segregates its revenue into five segments. Namely, (a) rental, (b) HDB resale, (c) project marketing, (d) private residential resale and (e) landed resale. Each of these segments had grown between 36% to 146% in revenue as compared to respective segment in 2020.



SEGMENT CONTRIBUTION

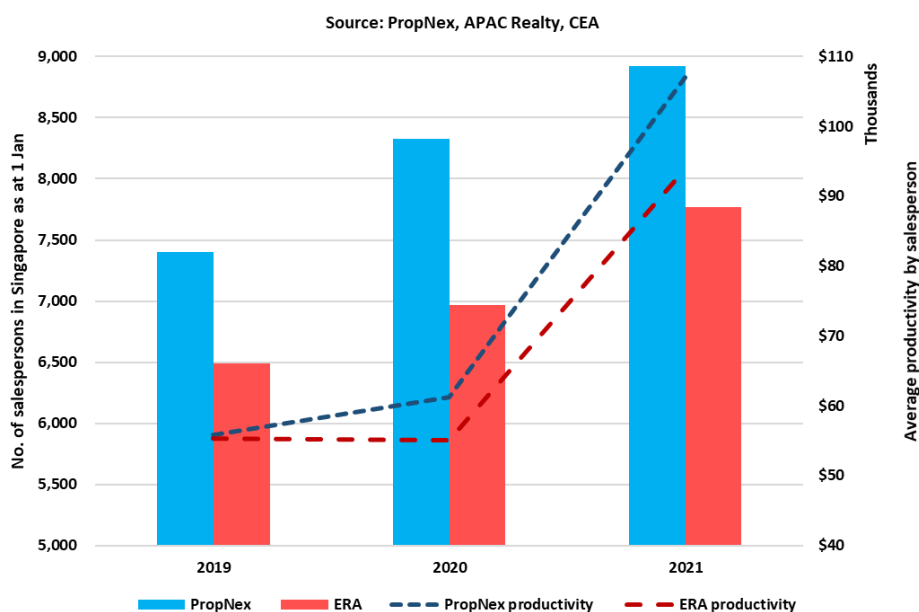


The above table shows that project marketing segment contributed less than 50% to the Group's revenue. This segment is susceptible to greater economic factors such as global financial crisis and government cooling measures. The remaining four segments tended to be more stable. With multiple streams of revenue, the Group is not totally reliant on any single segment. Hence, any adverse effect on one segment will be mitigated by the other segments.

(iv) Larger sales force

Larger sales force allows greater market outreach. The management sees that as an advantage. Coupled with superior training as well as strong IT tools provided by the Company, PropNex's salespersons continue to be more productive and effective in rendering good service.

Below chart compares the number of salespersons as well as the average salesperson productivity of two real estate agencies listed on SGX.



PropNex's salespersons earn commission when their transactions are completed. The margins remain stable as that commission is a fixed percentage of the revenue earned. Therefore, the growth of the sales force does not affect the gross margin of the Group.

Question 2

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:



- (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.

Company's response

(i) Growth drivers of Cambodia real estate market

Cambodia has population about 16 million with average age about 26 years. Average GDP growth rate since 2000 is about 7% while inflation rate is between 2% to 3%. Its government has been actively promoting urbanisation as way of improving the living conditions for its citizens. Some of the factors affecting the market are:

- (a) The current urbanization rate is about 22% with room for growth
- (b) Young population tends to move into built-up towns and cities for employment and education
- (c) Annual rental yields range from 6% to 8% is attractive for investment and development of real estate industry
- (d) Improving Covid19 situation attracts the return of expatriates to work and invest in the country, which is expected to have positive impact on the real estate market.

(ii) Domestic demand versus foreign investment

The Covid19 situation had severely affected the real estate market when the government had imposed restrictions in 2020. That curtailed foreign ownership as well as rental yields and the domestic demand became dominant. As the situation improves, expatriates are returning to the country. Notwithstanding, domestic demand still exceeds 80%.

(iii) Long-term growth of Cambodia market

The rate of urbanization is still low as compared to Vietnam at 37%. Support from the government created an environment that is conducive for growth. With the gradual improvement in the Covid19 situation, the management expects more foreign investment, which may drive the real estate industry, into the country.

(iv) Effects of market conditions in Malaysia and Indonesia on Group

The Group's presence in both Malaysia and Indonesia is by way of franchise agreements. The market conditions in both countries affect the respective franchisee directly. With the improvement in those economies, these franchisees are experiencing higher volume of activities in their real estate industry.

While the Group's revenue is generated mainly from Singapore and it derives royalty income from the franchisees. Currently, those royalty income is not significant to the Group's performance. The market conditions in those countries do not affect the Group's operations.

(v) Vietnam franchise agreement

Please refer to Company's response to shareholder's question uploaded via SGXNet on 19 April 2022.

Question 3

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?

Company's response

- (i) The internal auditors plan their work, which includes the scope and the sequence, independently. They consult management on the timeline and availability of resources to support their fieldwork. That plan is carried out after AC has reviewed and approved. The audit covers all significant subsidiaries as well as key functions, in the scope and the sequence determined by the internal auditors. The findings of the audit work are presented to the AC and the Board in the respective year. The AC confirms that internal audit had included all significant subsidiaries.
- (ii) The operations outside of Singapore are operated by franchisees and are not subsidiaries of the Group. Hence, the internal audit does not cover them.
- (iii) The IA in 2021 covered:
 - (a) Follow-up reviews on two significant subsidiaries
 - (b) Personal data protection and data governance
 - (c) IT infrastructure management
 - (d) Business continuity management.
- (iv) Key findings by IA:
 - (a) When consumers provide contact details for delivery when purchasing board games, Company needs to ensure that they have consented in writing to the collection and use of these information. To comply with PDPA, Company has agreed to (1) ensure consent has been obtained from and notify respective individuals on use or disclosure of their personal data, and (2) update the Personal Data Inventory Map.
 - (b) The Company has also agreed to (1) enhance the management and the physical security of server room and IT equipment, and (2) properly document when user acceptance tests are carried out as well as the tests when back-ups are restored.
 - (c) Management has engaged PwC in refreshing business continuity risks to ensure new and emerging threats are identified. This exercise will be carried out in the second half of this year. In addition, management will ensure that Technology Disaster Recovery Plan includes technical recovery procedures for certain critical systems.

By Order of the Board

Ismail Gafoore
Executive Chairman and CEO
21 April 2022