
RESPONSE TO THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES

1. Introduction

- 1.1. The Board of Directors (the “**Board**”) of Stamford Land Corporation Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 10 November 2023 in respect of its unaudited interim financial results for the six months ended 30 September 2023 (the “**Announcement on 1HFY2024 Unaudited Financial Results**”).
- 1.2. In this regard, the Company would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 20 November 2023 (the “**SGX Queries**” and each an “**SGX Query**”).

2. The SGX Queries

2.1. SGX Query 1

The Company reported a fair value loss of S\$71.2 million in 1HFY2024 on its 60% interest in 8 Finsbury Circus, a Grade A commercial property in London which it acquired in July 2019 for £156 million which had a fair value of S\$499.8 million as at 31 March 2021 and S\$492.5 million as at 31 March 2022. It was disclosed that the property has a 100% occupancy rate. However, despite the profits from operations of the Group’s investment properties remaining stable at S\$9.2 million for 1HFY2024 vs S\$9.1 million in 1HFY2023, the Company reported a fair value loss of S\$71.2 million in 1HFY2024.

In view of the significant fair value loss of S\$75.5 million and S\$71.2 million for FY2023 and 1HFY2024 respectively, totalling S\$146.7 million or 30% in 18 months from 1 April 2022 to 30 September 2023, please elaborate on the reason why the Board is of the view that the significant fair value loss of 30% since 1 April 2022 to-date is appropriate and whether this is in line with the industry trend of Grade A commercial properties similar to 8 Finsbury Circus. Please provide details to substantiate your views to enable shareholders to understand the reasons for the significant plunge in value of the property. Please also elaborate whether the Board had sought a professional valuation to support the fair value disclosed in the Company’s financial statements as the amounts and value are significant. If so, please disclose the value, the date of the valuation report and identify of the valuer. If no valuer had been appointed, please explain why the board is of the view that this is not necessary in view of the significant impairment in value. Please also confirm the reported value of the property is in line with Singapore Financial Reporting Standards.

The Company’s response

The acquisition price of 8 Finsbury Circus was £260.0 million and the acquisition was completed in July 2019. 8 Finsbury Circus is classified as an “investment property” in accordance with Singapore Financial Reporting Standard (International) (“**SFRS(I)**”) 1-40 *Investment Property*

because it is held to earn rentals and for capital appreciation. Based on the requirements of SFRS(I) 1-40, 8 Finsbury Circus is measured at fair value in accordance with SFRS(I) 13 *Fair Value Measurement*. The fair values of 8 Finsbury Circus reported by the Group as at 31 March 2022, 31 March 2023 and 30 September 2023 are as follows:

Fair value of 8 Finsbury Circus as at:	£ million	S\$ million
- 31 March 2022	277.0	492.5 ¹
- 31 March 2023	231.3	380.2 ²
- 30 September 2023	189.2	315.4 ³

The fair values as at 31 March 2022, 31 March 2023 and 30 September 2023 were based on valuations performed by CBRE Limited ("**CBRE UK**") at the respective dates. CBRE UK is a firm of independent valuers located in the United Kingdom with recognised and relevant professional qualifications and with recent experience in the location and category of the property being valued. The reported value of 8 Finsbury Circus as at 30 September 2023 disclosed in Note 9 of the Announcement on 1HFY2024 Unaudited Financial Statements is in line with SFRS(I) 1-40.

In arriving at the valuation of 8 Finsbury Circus of £189.2 million (S\$315.4 million³) as at 30 September 2023, CBRE UK considered the following:

- (a) There has been significant pricing correction across most asset classes in the United Kingdom. The main driver is the cost of debt which had increased significantly over the last 12 months. The Bank of England base rate was 5.25% as at 30 September 2023. Although the Bank of England decided to hold the base rate as at September 2023, there is still potential for further interest rate rises. The continued stubborn inflation means that the forward-looking yield curve has not come down as much as expected, given the likelihood that interest rates will need to stay higher for longer.
- (b) These macro-economic factors have had a direct impact on the cost of debt and this has flowed through into commercial property prices where there has been a pricing correction. The commercial properties in the City of London (the district where 8 Finsbury Circus is located) have been particularly impacted as it is a debt-driven market, in part due to the investor profile and the size of the commercial properties. The table below demonstrates the capitalisation rates of new build, best in class commercial properties in the City of London since December 2021 and illustrates that the pricing correction has been significant (note: capitalisation rate varies inversely against property prices).

Capitalisation rate in the City of London

December 2021	3.75%
July 2022	4.00%
October 2022	4.25%
November 2022	4.50%
June 2023	5.00%
September 2023	5.50%

¹ Based on an exchange rate of £1:S\$1.78 as at 31 March 2022

² Based on an exchange rate of £1:S\$1.64 as at 31 March 2023

³ Based on an exchange rate of £1:S\$1.67 as at 30 September 2023

- (c) As at 30 September 2023, there were few completed sales of Grade A commercial properties located in the City of London that can be used as reference points in determining the valuation of 8 Finsbury Circus.

The Board considered CBRE UK's valuation report as at 30 September 2023 and adopted CBRE UK's valuation of 8 Finsbury Circus as at 30 September 2023 of £189.2 million (\$315.4 million⁴) to support the fair value of 8 Finsbury Circus reported in the Announcement on 1HFY2024 Unaudited Financial Statements. Not to accept this valuation report would be a flagrant disregard of the true and fair valuation of 8 Finsbury Circus.

On 20 November 2023, the Bank of England Governor, Andrew Bailey, warned that the central bank may have to raise interest rates again and that food and energy costs remain an upside risk to the inflation outlook. He reiterated that monetary policy would likely need to be restrictive for some time, and that it is still too early to be thinking about interest rate cuts. The combination of climate change, global economic fragmentation, and the impact of the ongoing conflicts in Ukraine and the Middle East means inflation will remain high in the foreseeable future.

It is common knowledge that the fair value of a property varies inversely with the prevailing interest rates, even if there are no changes to the revenue and the occupancy. Furthermore, the capitalisation rate tends to lag behind interest rates, and it is not inconceivable that the capitalisation rate of the property may increase further in line with interest rate increases. Fair value losses, however, are not of a cash-flow nature.

2.2. SGX Query 2

In addition, please also explain and elaborate whether the Board had similarly revalued the value of the Group's hotels in view of the strong pick up in worldwide tourism and travel and whether the Board had adopted consistent accounting standards that is in line with Singapore Financial Reporting Standards.

The Company's response

The Group's hotels are classified as "property, plant and equipment" in accordance with SFRS(I) 1-16 *Property, Plant and Equipment*, as the hotels are held for use in the supply of services typically provided by hotel operators. The Group adopts the cost model in measuring its hotels which is allowed under SFRS(I) 1-16. Accordingly, the hotels are carried at cost less accumulated depreciation and any impairment losses. The Group does not adopt the revaluation model in measuring its hotels and therefore does not revalue the value of the hotels.

BY ORDER OF THE BOARD

Ng Kah Poh, Joanna
Company Secretary
22 November 2023

⁴ Based on an exchange rate of £1:\$1.67 as at 30 September 2023