

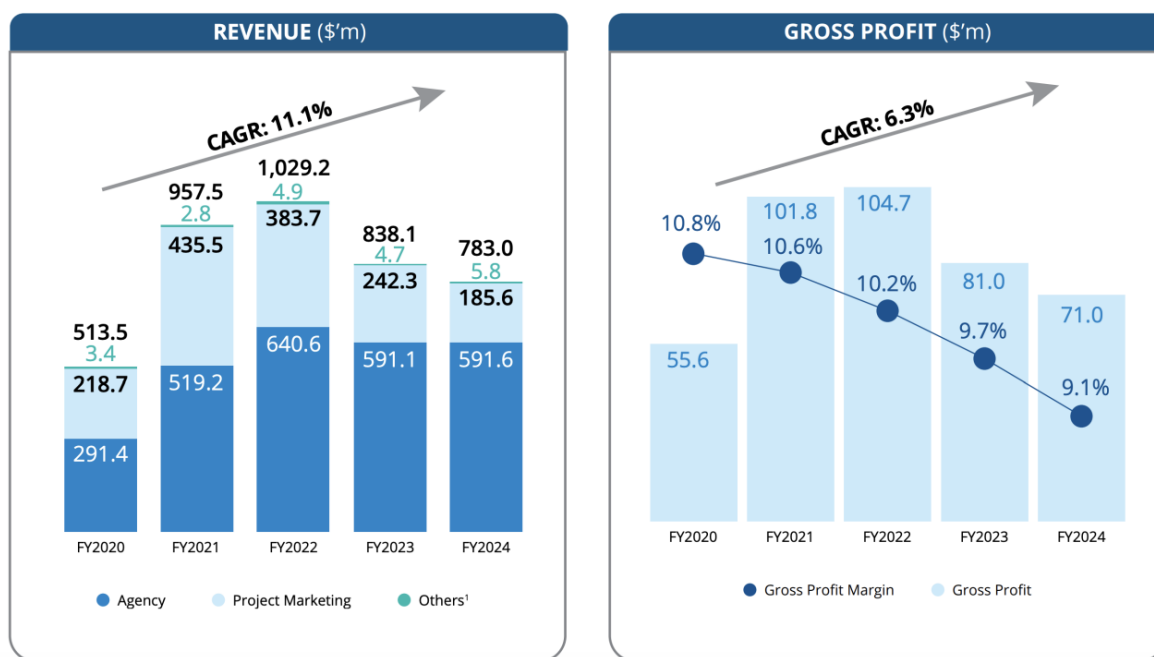
RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the “**Board**”) of PropNex Limited (the “**Company**” or together with its subsidiaries, the “**Group**”) would like to thank Securities Investors Association (Singapore) (“**SIAS**”) for the questions submitted to the Company in relation to its annual report for the financial year ended 31 December 2024 (“**FY2024**”).

The following are the Company’s responses to the corresponding questions from SIAS:

Question 1

For the financial year ended 31 December 2024, the Group’s revenue declined 6.6% year-on-year to \$783.0 million — nearly 25% below the peak revenue of \$1.03 billion in FY2022. Gross profit margin has also declined for consecutive years and now stands at 9.1% in FY2024 from 10.8% in FY2020.



(Source: company annual report)

From March 2024 to March 2025, the Group has expanded its sales team from 12,326 agents (representing over 30% of all property agents in Singapore) to 13,177 agents, representing approximately 35% market share. While the Group continues to grow its sales team and maintains clear market leadership, gross profit margin has declined.

- (i) Can management clarify the key factors driving this margin erosion? Does management expect economies of scale and operational leverage to in fact improve margin and why is then margin declining?
- (ii) Has the proliferation of lower-cost, “no frills” real estate agencies and HDB DIY platform exerted pressure on commission rates?

With 35% of the agent pool and an estimated 64.2% market share (66.4% in HDB resale), the Group appears to be significantly outperforming the market average.

(iii) Would continued sales team expansion lead to a reversion to the mean in terms of productivity? How can management navigate this growth dilemma?

Company's response

- (i) The Group's gross profit represents revenue earned, after deducting the costs of services rendered which are commission expenses paid to salespersons. Gross profit margin is affected by the proportion of revenue contribution from the different business segments as each of the business segment's gross profit margin differs. We do not disclose gross profit margin by business segments, except to say that the gross profit margin for project marketing services (ie new launches) is generally higher than the other property segments in the agency services.

The decrease in gross profit margin from 10.8% in FY2020 to 9.1% in FY2024 was mainly attributed to the decrease in revenue contribution from project marketing services as shown in the table below:

	Group's Gross Profit Margin	Revenue Contribution from Project Marketing Services
FY2020	10.8%	43%
FY2021	10.6%	46%
FY2022	10.2%	37%
FY2023	9.7%	29%
FY2024	9.1%	24%

- (ii) Buying a home in Singapore is a significant multi-million-dollar investment, and buyers typically conduct extensive research before making decision. The country's regulatory landscape is also complex, with numerous considerations such as the Additional Buyer's Stamp Duty (ABSD), Total Debt Servicing Ratio (TDSR), and Minimum Occupancy Period (MOP), among others.

While "no-frills" agencies and DIY technology platforms have emerged, they do not replace the need for personalised guidance from experienced and knowledgeable salespersons. Instead, technology serves as a powerful complement—enhancing our brokerage services by saving time, improving data accuracy, and increasing overall sales productivity. Commission rates remain relatively stable given the depth of value-add that our salespersons provide.

- (iii) Expanding our sales team is not the sole growth strategy for PropNex. We also continue to invest in cutting-edge property technology and industry-leading sales training to boost the productivity, performance, and potential of our salesforce. At the same time, we are deeply committed to consumer empowerment by actively engaging in initiatives to educate and inform homebuyers. This multi-pronged approach ensures that PropNex consistently outperforms the industry average in terms of productivity and results. Our success is reflected in our dominant market share where PropNex accounted for 64.2%¹ of transaction volume in 2024, commanding a lion's share of the market despite representing only 35%² of Singapore's total salespersons. Importantly, we recognise that productivity growth is not always linear, and our strategy is designed to support long-term, sustainable progress across all fronts.

¹ The market share information is based on the volume of transactions and includes transactions where PropNex salespersons act on behalf of buyers and sellers in co-broking with external agencies. Includes HDB Resale, Private Resale and New Launches. Data sourced from Frost & Sullivan Pte Ltd, URA REALIS, HDB, Singapore's Open Data and PropNex.

² 12,636 PropNex salespersons and 36,058 total salespersons in Singapore as at 1 January 2025, Council for Estate Agencies.

Question 2

Beyond agency services, project marketing is a core business segment for the Group. This segment involves marketing and sales of new private residential developments on behalf of third-party developers in Singapore and overseas. In FY2024, segment revenue declined to \$186 million (from \$242 million in FY2023), while segment profit fell sharply from \$7.9 million to \$3.1 million — a 60% drop.

- (i) What differentiates the Group in securing project marketing mandates beyond agency size? Specifically, are there proprietary tools, digital platforms, developer relationships, or market analytics that give the Group a structural advantage?**
- (ii) Are project marketing mandates typically secured on an exclusive basis, and do agencies compete purely on price?**
- (iii) Is the project marketing segment structurally less profitable than the agency services segment?**

Company's response

- (i) PropNex remains the top choice in project marketing for property developers. Backed by a strong network and the high productivity of our salesforce, we closed 54.2% of new launch transactions in 2024, up from 47.9% in 2023. As highlighted in our response to Q1(iii), our cutting-edge property technology and industry-leading sales training are key drivers of this performance. In addition, our highly experienced management team, with over 200 years of combined industry expertise, offers developers deep market insight and strategic value.

Our Investment Suite and Business Suite apps streamline the property search process — leveraging advanced data analytics, intuitive user interfaces, and real-time data feeds to save time and significantly boost productivity. With these tools, our salespersons can generate leads, manage tasks efficiently, and analyse market trends on the go, all powered by up-to-date data. This empowers us to deliver a distinctive value proposition to prospective homebuyers and rental seekers. Supporting this is our dedicated in-house technology team, which works closely with our salesforce to continuously develop and roll out new features that directly address real-world challenges and deliver meaningful value. We provide curated training and mentorship to prepare our salespersons for success. In 2024, we conducted 47 sales and IT training sessions, equipping agents with advanced strategies in property investment. These initiatives have resulted in measurable improvements in performance.

- (ii) Developers typically work with a few agencies for their new project launches in Singapore, ie joint marketing basis. We do not compete on price as the developers generally will pay the same commission rate to all the agencies involved.
- (iii) As mentioned above, the gross profit margin from project marketing services is generally higher than the other property segments in the agency services. In compliance with accounting standards, revenue for project marketing services is recognised when specified outcome is achieved and this is typically three to four months after the sale transactions. However, expenses such as marketing expenses and staff costs are recognised when incurred. Due to this misalignment in relation to the recognition of revenue and expenses, the profits for project marketing services may fluctuate from period to period.

Question 3

The Group has recently been named in a lawsuit involving PropNex Realty Pte Ltd (PRL), a wholly owned subsidiary, in connection with a “99-to-1” property transaction. PRL is one of three co-defendants in a case filed in the High Court of Singapore. The claimant seeks to claim damages against PRL for vicarious liability arising from the alleged tortious conduct of one of PRL’s salespersons and his purported advice to the claimant on certain property transactions¹.

The Group has announced, following legal consultation, its intention to defend the suit vigorously. The claimants are seeking, amongst others, \$849,287 as damages jointly and severally from the defendants².

- (i) **With a salesforce exceeding 13,000, how does management operationalise and enforce its Code of Ethics and Conduct to ensure all agents uphold professional and ethical standards consistently across all transactions?**
- (ii) **What specific compliance and monitoring mechanisms does the Group employ to detect and address potential misconduct? Are there digital tools or audit systems to support enforcement?**

The Group disclosed in its sustainability report that it conducted five compliance training and legal clinics, compared to 47 sales/IT training sessions and 117 consumer engagement events.

- (iii) **What is the actual reach and coverage rate of the compliance training? Are refresher courses mandatory for all salespersons, and how frequently are compliance modules updated in line with regulatory developments?**
- (iv) **Separately, what is the scope, depth, and measured effectiveness of the Group’s AML/CFT (Anti-Money Laundering and Countering the Financing of Terrorism) training?**

Company’s response

- (i) The Group abides by and requires all its appointed salespersons to comply with the Code of Ethics and Professional Client Care established under the Estate Agents (Estate Agency Work) Regulations 2010 (the “**Code of Ethics**”). As required by the Code of Practice for Estate Agents, the Group manages and supervises our business and salespersons via, amongst others:
 - a) processes for reviewing and approving all advertising and marketing materials of salespersons;
 - b) a whistleblowing policy and process for reporting concerns regarding potential improprieties and misconduct by salespersons;
 - c) a complaint handling process to review, investigate and address complaints against our salespersons regarding potential breaches of the Code of Ethics; and
 - d) processes to continuously update salespersons on developments in the relevant laws, regulations and the industry via internal emails, announcements or briefing sessions, and conducting training sessions that salespersons may attend or watch on our internal platform.
- (ii) Please refer to our responses in (i) above.

- (iii) Under the current Continuing Professional Development (“**CPD**”) Framework established by the Council for Estate Agencies (“**CEA**”), all registered salespersons are required to achieve a minimum of six CPD credits per year. The six CPD credits must comprise four CPD credits from courses related to Professional Competencies (which cover topics relating to real estate agency work such as laws and regulations and property markets) and two CPD credits from courses related to Generic Competencies (which cover topics relating to soft skills such as digital fluency, communication and people development). All appointed salespersons are required to comply with their annual CPD requirements, and compliance is monitored by the Group.

The compliance trainings conducted by the Group are in addition to the salespersons’ CPD requirements and are not mandatory trainings for our salespersons. Salespersons are encouraged to attend these sessions as they provide information on various legal or regulatory topics relating to the real estate industry (e.g. AML/CFT requirements), including where there are updates or developments in those areas. The video recordings of such trainings are also uploaded to our internal portal for all salespersons to access and view at any time. As mentioned above, these training sessions are in addition to the other communication channels that the Group uses to ensure ongoing awareness of laws, regulations and developments in the industry by its salespersons.

- (iv) All salespersons are expected to be familiar with the requirements of the Estate Agents (Prevention of Money Laundering and Financing of Terrorism) Regulations 2021, and the related guidelines and circulars issued by the CEA. AML related trainings are conducted on an annual basis, and the video recording of such training is also uploaded to our internal portal. Further, we have processes to check that salespersons have obtained the requisite documents for AML/CFT purposes.

By Order of the Board

Lee Li Huang
Chief Financial Officer and Company Secretary
17 April 2025