



**LOW KENG HUAT (SINGAPORE) LIMITED** (Reg. No. 196900209G)

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**ANNUAL GENERAL MEETING TO BE HELD ON 31 MAY 2022  
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SECURITIES INVESTORS  
ASSOCIATION (SINGAPORE) AND SHAREHOLDERS**

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The Board of Directors of Low Keng Huat (Singapore) Limited (the “Company” or “LKHS”, and together with its subsidiaries, the “Group”) refers to the questions received from Securities Investors Association (Singapore) (“SIAS”) and shareholders relating to the Company’s Annual General Meeting to be held on 31 May 2022 at 11.00 a.m. via live webcast. The Company wishes to provide its response below.

**QUESTIONS FROM SIAS**

**Q1 As noted in the chairman’s statement, the group made a strategic change and shifted its focus from commercial office space to retail by the disposal of the group’s interests in Westgate Tower for \$97.1 million and the acquisition of the remaining 45% of Paya Lebar Square that was not already owned for \$90.5 million.**

**(i) For the benefit of shareholders, can management elaborate further on the rationale to focus on retail malls and to reduce the group’s exposure to commercial office space?**

The shareholders have jointly acquired the asset (Westgate Tower) in 2014 and held them for long term investment holding. After holding the asset for more than 7 years, rental reversion for the asset were nominal with an increase of about 5.1 % (average of less than 1% p.a.) over the 7-year holding period. As Westgate Tower was the only office asset held by the Company as a minority owner, the management felt it was timely to rationalize our portfolio and refocus on higher return investments. With joint venture partner Sun Venture respectively jointly own Westgate Tower and Paya Lebar Square, the management felt it would be strategic for the joint venture partners to acquire the minority interest of each shareholding in the respective assets and focus on each wholly owned assets.

**Westgate Tower was acquired for \$579.4 million in 2014 by the group and Sun Venture Homes Pte. Ltd. from the then-Capitaland Group, or about \$1,900 per square foot based on the 99-year leasehold office tower’s net saleable area of 304,963 sq ft.**

**(ii) What is the return on investment of the group’s investment into Westgate Tower from 2014 to 2021?**

The return on investment of the group’s investment into Westgate Tower from 2014 to 2021 was 23%.

As at 31 January 2022, the occupancy rate at Paya Lebar Square (PLS) retail mall was 100%. Profit before tax Paya Lebar Square increased to \$8.0 million for the financial year ended 31 January 2022 from \$3.8 million in the previous year, mainly due to reduced rental reliefs granted to tenants, decrease in provision of doubtful debts and lower interest expense.

- (iii) **Can management help shareholders understand if footfall and tenant sales at PLS have recovered to pre-COVID levels?**

Footfall at Paya Lebar Square and tenants sales have yet to reach pre-Covid levels.

- (iv) **Is the group still providing rental reliefs to tenants?**

No, the group has ceased providing any rental reliefs to tenants.

- (v) **What was the rental reversion at PLS?**

Between financial year end of 31 Jan 2022 to 31 May 2022, rental reversion was +1.15% based on committed occupancy.

- (vi) **With just a single large retail mall, are there significant challenges in sourcing for tenants (compared to other landlords such as REITs which have a network of several malls all over Singapore) and if so, how does management overcome this challenge (of the lack of scale)?**

Paya Lebar Square is part of a mixed development with an office component of about 432,000 square feet of strata titled office space that is strategically located within Paya Lebar Central with direct access to the East-West Line and the Circle Line. With a lettable area of approximately 95,000 sf, its targeted tenants are largely F&B, wellness and service trades that cater to the office occupants in Paya Lebar Square and the working community in its immediately vicinity. As such, the management do not view tenants sourcing as a significant challenge compared to other landlords.

- (vii) **For the group's other retail mall (BT Centre), loss before tax widened to \$3.8 million from a loss of \$0.6 million in the previous year, mainly due to an impairment loss (\$1.9 million) as well as a decrease in government grants and property tax rebate. Is BT Centre performing up to management's expectations? If not, what are management's strategies to turn BT Centre profitable? The occupancy rate at BT Centre was 92% as at 31 January 2022.**

BT Centre is a small retail component of about 16,500 square feet of net lettable area conceptualized to serve occupants in the serviced apartment and residents in the immediate neighbourhood. The pandemic hit months after the development obtained its TOP and it was a challenging period then trying to secure tenants. However, the team has actively been marketing the spaces and as at date of reporting, we are almost at fully occupancy. The retail component has been positioned to target F&B to cater to the service apartment occupants and educational and learning centres for young ones.

**Q2** Would the board/management provide shareholders with greater clarity on the following operational and financial matters related to the group's development projects and investments? Specifically:

- (i) **Klimt Cairnhill: The group's freehold, 138-unit luxury project was launched in August 2021 and has sold 3 units as at 31 January 2022. The construction is 16% completed and the expected TOP for the project is Q1 FY 2026. Is the project significantly impacted by the new cooling measures introduced by the government in December 2021 and more recently in May 2022? With just sales of 3 units as at 31 January 2022 (and 3 more between February 2022 to April 2022 based on caveats lodged), is management satisfied with the sales progress? What are the levers available to management to improve the sales of Klimt Cairnhill given that interest rates are widely expected to rise in the near term?**

Klimt Cairnhill is an ultra-luxury high end residential development that was put onto the market during the second half of 2021. Typical for any high end residential developments as seen from other similar developments' sales progress in Singapore, pace of sales for such developments is generally more phased out throughout the construction period and even on completed basis. While potential buyers may have an immediate reaction to the cooling measures, sale of new private homes in Singapore "seemed to have stabilized" after cooling measures as reported by CNA 17 May 2022. With the borders opening up further, we have witnessed increased viewership at our sales gallery. The management is actively engaging its appointed agents with more marketing and sales program with a view to see improving sales in this financial year.

- (ii) **AXA Tower: What is the group's level of involvement and value-add, if any, in the redevelopment of AXA Tower?**

The Group does not have any more involvement in the redevelopment of AXA Tower as we had on 4 April 2022 disposed of our balance effective 10% stake to CEL Shenton Pte. Ltd. and Sing-Haiyi Emerald Pte. Ltd. The transaction was completed on 29 April 2022. Please refer to our disclosure Note 45(i) of our Annual Report under "Events after end of reporting period".

- (iii) **HThree City Australian Commercial Fund 3 LP: During the year, the group made capital contribution of \$19.0 million but recognized a fair value loss of \$(3.48) million in the financial year. What are the reasons for the significant fair value loss of \$(3.48) million?**

## 5 Financial assets at FVPL

The Group	Note	2022 \$'000	2021 \$'000
Investment in limited partnership			
Balance at beginning of year		763	-
Additions		19,043	763
Fair value loss	30, 32	(3,480)	-
Exchange difference		(618)	-
Balance at end of year		<b>15,708</b>	763

These instruments are all mandatorily measured at fair value through profit or loss.

A significant part of the fair value loss was due to the stamp duty paid for the acquisition of an investment property in Melbourne, Australia. HThree City Australian Commercial Fund 3 LP (the "Fund") acquired the investment property in early September 2021. Stamp duty, which is payable at the point of acquiring the property, is capitalised to form part of the cost base of the investment property. As the Fund carries its investment property at fair value, a fair value loss was recognised for the financial period ended on 31 December 2021 as the fair value had not caught up with the higher cost base which includes the stamp duty paid.

**Q3** The board comprises 8 directors, including the executive chairman, the managing director and two other executive directors.

The present Board members and Board Committee members are as follows:-

Name of Director	Board Committees			
	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Low Keng Boon	Executive Chairman	-	Member	-
Dato' Marco Low Peng Kiat	Managing Director	-	Member	Member
Low Poh Kuan	Executive Director	-	-	-
Alvin Teo Poh Kheng	Executive Director	-	-	-
Jimmy Yim Wing Kuen	Lead Independent Director	Chairman	Member	Member
Chris Chia Woon Liat	Independent Director	Member	Member	Member
Michael Leong Choon Fai	Independent Director	-	-	Chairman
Cheo Chai Hong	Independent Director	Member	Chairman	-

(Source: company annual report)

Dato' Marco Low Peng Kiat, the managing director, is the nephew of the executive chairman, Mr Low Keng Boon. The executive director, Mr Low Poh Kuan, is the also nephew of the executive chairman and is the cousin of Dato' Marco Low Peng Kiat, the managing director.

Provision 2.2 and 2.3 of the Code of corporate governance 2018 requires independent directors to make up a majority of a board where the chairman is not independent and for the non-executive directors to make up a majority of the board respectively.

The board considers that the independent directors, led by a lead independent director, provide a good balance of authority and power within the board. The board is of the view that there is a strong independence element within the board to justify the departure of the board composition from the Code.

Listing Rule 710 of the SGX Listing Manual also requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, the reason(s) for the variation, and the explanation(s) on how the practices it has adopted are consistent with the intent of the relevant principle [emphasis added].

- (i) Can the nominating committee (NC) help shareholders understand (a) the deliberations it had on and (b) the underlying reasons for the board's deviations from Provisions 2.2 and 2.3 of the Code?**

The NC had discussed this deviation from Provisions 2.2 and 2.3 of the Code and is on the search for another independent director so that the number of independent directors will form majority of the Board. Currently there are eight board directors comprising four non-independent and four independent directors. The Board's target is to confirm the additional independent director soonest possible if not by end of this year.

- (ii) In particular, three of the executive directors are related and collectively hold a majority stake in the company. What is the basis for the board's view that there is a "good balance of authority and power within the board"?**

The Board of directors comprises a diverse group of qualified individuals who has extensive professional experience in legal, banking and real estate businesses. Their expertise and core competencies provide varied and objective perspectives to support robust, frank and constructive discussions before arriving at the optimal solution in the best interest of the Company. There is a good balance of authority and power within the board as each director expresses his views openly bearing in mind his fiduciary duty to the Company and such deliberations are not framed by nor constrained by the shareholder interest some directors may have.

**It is also noted that the executive chairman has served on the board for more than 53 years. Has the board come up with a strategy for board renewal and succession planning?**

The Board has executed the strategy for board renewal and succession planning when Dato' Marco Low was appointed managing director on 1 November 2011. Mr Low Keng Boon was appointed as Executed Chairman on 25 March 2019 after the passing of our former Chairman Tan Sri Dato' Low Keng Huat.

Our executive chairman, Mr Low Keng Boon, is one of the co-founders of the Company. Mr Low Keng Boon is instrumental in growing the Company through more than 50 years from contractor business to a diversified property group of companies with net worth exceeding \$670.0 million. Dato' Marco Low, our managing director, has been actively involved in the business operations since his appointment.

- (iii) **Would the NC be reviewing the board composition, with a view on how it could refresh the board composition to meet the requirements of the CG Code 2018, in particular, Provisions 2.2 and 2.3?**

Please refer to reply to question Q3 (i) above.

#### **QUESTIONS FROM THE SHAREHOLDERS**

- Q4 There are news of other developers acquiring minority interests in AXA Tower recently. Please clarify whether there has been any change in the company's effective interest in the building.**

Please refer to reply on question 2(ii) above.

- Q5 Does the URA's recent ruling that prohibits strata subdivision for commercial properties in the central area apply to AXA Tower? If so, would it materially affect the original redevelopment plan for the building?**

Please refer to reply on question 2(ii) above.

- Q6 For development projects, is it possible for the company to procure and fix the costs of construction materials upfront or are they typically procured on an ongoing basis and thus subjected to price fluctuations?**

Wherever possible, for construction/ building materials in terms of quantity/specifications that have been finalised at conceptualisation stage, the Company procure them to fix the costs to avoid any price fluctuations. Certain materials that are subjected to variations in terms of specifications/ quantity are procured in accordance to construction timeline.

- Q7 I'm concerned about the slow pace of sales at Klimt Cairnhill despite the resilient residential property market in the past year. Please comment.**

Please refer to reply to question 2(i) above.

- Q8 Refer to page 200 of note 45 "Events after end of reporting period" on i. "PRE 13 Pte Ltd ("PRE 13") had on 4 April 2022 entered into share purchase agreements (the "SPAs") with CEL Shenton Pte. Ltd. and Sing-Haiyi Emerald Pte. Ltd. ("SHY") (collectively the "Purchasers"), to dispose of a combined 21% effective stake in the former AXA Tower ("the Property")."**

- (i) Does the above SPAs means that Low Keng Huat has disposed all the stake in AXA Tower for a consideration of \$2,029,184?**

Low Keng Huat has disposed all the stake in AXA Tower for a consideration of \$2,029,184.

- (ii) **May the company confirm that after the sale the purchasers will owe the company of promissory note of \$59,761,000? What is the payment terms and conditions of this promissory note e.g. interest rate, duration etc.**

The Company has received shareholder loan repayment upon legal completion of disposal on 29 April 2022.

- (iii) **May the company provide more details on the rationale of the above disposal?**

The rationale for the disposal is to reduce our potential additional equity contribution of approximately \$114 million in the redevelopment of AXA Tower.

**Q9. Would the board/management provide shareholders with greater clarity on the following operational and financial matters related to the group's development projects and investments? Specifically:**

- (i) **Klimt Cairnhill: The group's freehold, 138-unit luxury project was launched in August 2021 and has sold 3 units as at 31 January 2022. The construction is 16% completed and the expected TOP for the project is Q1 FY 2026. Is the project significantly impacted by the new cooling measures introduced by the government in December 2021 and more recently in May 2022? With just sales of 3 units as at 31 January 2022 (and 3 more between February 2022 to April 2022 based on caveats lodged), is management satisfied with the sales progress? What are the levers available to management to improve the sales of Klimt Cairnhill given that interest rates are widely expected to rise in the near term?**

Please refer to reply to question 2(i) above.

- (ii) **AXA Tower: What is the group's level of involvement and value-add, if any, in the redevelopment of AXA Tower?**

Please refer to reply to question 2(ii) above.

- (iii) **HThree City Australian Commercial Fund 3 LP: During the year, the group made capital contribution of \$19.0 million but recognised a fair value loss of \$(3.48) million in the financial year. What are the reasons for the significant fair value loss of \$(3.48) million?**

Please refer to reply to question 2(iii) above.

BY ORDER OF THE BOARD

CHIN YEOK YUEN  
Company Secretary  
25 May 2022