LUM CHANG

Lum Chang Holdings Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 198203949N

ANNUAL GENERAL MEETING (AGM) TO BE HELD ON 29 OCTOBER 2020 – RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS

The Board of Directors of Lum Chang Holdings Limited (the "Company") refers to the Company's announcement on 5 October 2020 on the alternative arrangements for the AGM, and in particular, to the invitation for shareholders to submit questions in advance of the AGM. The Company would like to thank shareholders for the questions submitted and wishes to provide its responses to the substantial and relevant questions received from the shareholders, as set out below:

IMPACT OF COVID-19 AND OUTLOOK

Question 1

How badly does the virus pandemic affect the company? How has Government subsidy helped? What other challenges lies ahead and is the company prepared?

Company's response

The ongoing coronavirus pandemic has brought some unprecedented challenges to the Group. All Group operations ceased during Phase One of the circuit breaker period and construction activities at our Development and Construction project sites were suspended, resulting in the projects falling behind schedule. The Singapore Government has however, granted extensions to complete development projects and these extensions should mitigate any financial impact to the delays to some extent. However, it is difficult to determine how much our projects are affected as we only fully resumed operations recently.

The Group's joint venture hotel investment, Citadines Rochor at Tekka Place has been adversely impacted in line with the general trend in the global hospitality industry. The hotel has however, been utilised to provide accommodation for persons serving Stay-Home Notices or quarantine since April 2020, in support of Singapore Government efforts to contain the spread of Covid-19 in the community.

To mitigate operational costs, the Group has utilised as much as possible the support measures and grants provided by the Singapore Government. These include wage support for local employees under the Resilience Budget, property tax breaks for qualifying commercial properties and BCA's Construction Support Package.

The impact on the Group's financial performance for FY2021 will depend on the duration and severity of the economic downturn caused by the coronavirus pandemic. It is therefore impracticable to estimate the full impact of the pandemic on the Group at this point.

We continue to monitor the situation closely, and have implemented cost control measures to reduce operating expenses, whilst maintaining our disciplined capital management approach to conserve cash in preparation for any challenges that may arise from the pandemic.

Question 2

How prepared is the company in case of another lockdown due to 2nd wave of the coronavirus pandemic?

Company's response

Amid the evolving and ongoing coronavirus pandemic situation, the Group had set up a Task Force to look into issues that might impact the Group. These included business continuity plans and other operational measures, which over time has now expanded to include safe management practices, emergency response procedures and any future measures where required.

The Task Force had also implemented measures to enable our people to work from home where possible. Given the benefit of hindsight, the adoption of remote working technologies and with the necessary systems already in place, the Group is prepared to continue off-site operations if another lockdown should unfortunately occur.

However, a further lockdown would result in limited revenue for the Group. Although the Group has some cash reserves, the ability of the Group to maintain its operations will depend on the duration of the lockdown and the extent of Government support measures. Implementing more cost control measures may be necessary under such circumstances.

BUSINESS OPERATIONS

Question 3

In reference to Page 81 of the Annual Report 2020 the Net Asset Value ("NAV") of the Group has grown from S$212.2 million in 2016 to S$256.8 million in 2020 and Cash and Cash Equivalent from S$100.0 million in 2016 to S$151.0 million in 2020. Despite the increase in NAV and cash balance the total dividend per share had reduced from 2 cents for 2016 to 1.3 cents for 2020. Is there a long-term plan to increase dividends and are there any other plans to unlock value to the shareholders?

Company's response

The NAV of the Group has grown by S$44.6 million over the past five years. The Group's NAV includes the net fair value gains of S$40 million from the current Investment Properties of the Group and its associated company, and fair value gains from the Group's Financial Assets through Other Comprehensive Income, all of which have not yet materialised to cash.

The increase in cash of S$51 million to S$151 million was partly due to the disposals in the last two financial years of the Group's student land and office building in the United Kingdom amounting to S$63 million. The Group plans to re-invest some of this cash on new property developments and property investments and other business opportunities in the long term, but remains cautious in its investment appraisals due to the uncertainties of the current environment.

The remaining cash balance is intended for working capital purposes to support the Group's large unfulfilled construction order book of S$1.9 billion. In addition, the Group may utilise some of its surplus cash to repay part of the Company's bond of S$40 million due in 2021.

The Board also recognises the possibility of a resurgence of the coronavirus pandemic in Singapore, which may severely impact operations and thus advocates prudence in conserving and maintaining a reasonable cash reserve to cater for such possibility. The Board will therefore

take into account operating results and future cash requirements before proposing and declaring future dividends.

The Group has always considered the interests of its shareholders. The dividend yield over the past five years remained at a reasonable 4-5%. The Company had also repurchased its own shares over the past five years for a total of 12 million shares at an average price of 35 cents per share. The Group remains focused to acquire assets and invest in businesses that will generate income and maintain a reasonable dividend level.

Question 4

In page 144 & 145 of the Annual Report, the group has $25m in Financial assets, of which $8.7m is fair value gains for the financial year 2020. A note stated these Financial Assets "Mainly relates to investment in a Singapore incorporated entity which holds an investment in a China entity listed on the Shanghai Stock Exchange". Please elaborate what is the name of this listed company on the Shanghai Stock Exchange, and also, Lum Chang's intention for this investment.

Company's response

The name of the listed company in China is China-Singapore Suzhou Industrial Park Development Co., Ltd. ("CSSD"). The Group is part of a Singapore-based consortium commenced in 1993 that comprises 24 equal shareholders in a Singapore-registered company, namely Singapore-Suzhou Township Development Pte Ltd ("SSTD"), which currently owns 25.2% of CSSD. The Group is deriving dividend income from this investment.

BY ORDER OF THE BOARD
Tony Fong
Tan Eng Chan Gerald
Company Secretaries
28 October 2020