

**Issuer:** Lum Chang Holdings Limited  
**Security:** Lum Chang Holdings Limited

**Meeting details:**

Date: 28 Oct 2016

Time: 10:30AM

Venue: Orchard Parade Hotel, Antica I & II, Level 2, 1 Tanglin Road, Singapore 247905

**Company Description**

Lum Chang Holdings Limited, an investment holding company, engages in the construction, project management, and property development and investment activities in Singapore, Malaysia, the United Kingdom, and China. The company's construction projects comprise civil and infrastructure, commercial, hospital, hotels and leisure, industrial, institutional, mixed development, and residential properties. Its services include infrastructure development, design and build, build only, construction management, project management, upgrading, and restoration of properties for conversation. In addition, the company is involved in the development of apartments, condominiums, terrace houses, semi-detached houses, and bungalows, as well as shop houses. Lum Chang Holdings Limited was incorporated in 1982 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=L19](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=L19))

Q1. The construction division is by far the largest segment in the group, making up 83% of the group's total revenue in 2016. Based on the segment results (page 127 of the annual report – Segment information), revenue from construction has almost always exceeded \$250 million and the segment has always been profitable.

<b>Construction Division</b>	<b>2012 \$'000</b>	<b>2013 \$'000</b>	<b>2014 \$'000</b>	<b>2015 \$'000</b>	<b>2016 \$'000</b>
Revenue from external customers	257,553	434,073	236,949	257,733	352,681
Segment results	24,758	25,798	12,128	11,123	17,896
Segment margins	9.6%	5.9%	5.1%	4.3%	5.1%

Given the influx of foreign construction companies and the general malaise of the property market in Singapore, competition is intense. In addition, manpower shortage and cost pressure (such as the foreign worker levy) further chip away the profit margin.

- a) **What is the group's strategy to maintain a healthy order book given the intense competition? How does Lum Chang distinguishes itself from its competitors?**
- b) **With the competitors willing to accept razor thin margin, how does the group successfully maintain, even plan to improve, its profit margin? What are the main ways the group controls its cost structure?**
- c) **Can management help shareholders understand the group's efforts in leveraging technology to improve efficiency? What are the group's innovative efforts to build safer/faster/cheaper?**

Q2. In the Chairman's Statement, it was mentioned that Britain's vote to withdraw from the European Union has resulted in "many uncertainties that will likely dampen growth for the next few years". Since then, the GBP/SGD exchange rate has dipped to below 1.7 and the long-term impact on Britain's trade, growth and immigration is still uncertain.

- a) **Could management give a further update on the ground sentiment with regard to the UK/London property market?**
- b) **Has there been any notable effect on the group's assets, especially Pembridge Palace? Is the redevelopment of Kelaty House still on track?**

Borrowings in GBP increased from £35 million in 2015 to £87 million (page 120, 121 – Currency risk) and the currency exposure at the end of the financial year was disclosed as £32.8 million. This should mean that the acquisitions of Kelaty House and 130 Wood Street were funded by GBP borrowings, thus providing a natural hedge against the currency movement.

- c) **Can the company let shareholders know the impact of the big currency moves?**
- d) **Does the company intend to review its investment strategy because of Britain's vote to exit the European Union?**

**Q3. Can management provide further elaboration to shareholders on the new and significant ventures?**

- a) The potential acquisition of the entire issued and paid-up share capital of Corwin Holding Pte Ltd (the principal asset being the leasehold commercial property at Serangoon Road): This is the first major foray in Singapore by the group in a long time. **Can management share its view on the redevelopment potential of the site? How does it intend to position the mall (and possibly the serviced residences) in the redevelopment?**
- b) Acquisition of land at Petaling Jaya, Selangor Darul Ehsan: The group has been relatively more active in real estate development in Malaysia in the recent years and the board disclosed that this is a “prime investment opportunity to consolidate the LCH’s Group’s property and development portfolio in Malaysia”. **Can the board share its current thinking on the redevelopment plans for the site? As vacant possession of the land is estimated to be obtained by the end of 2017, would this be more geared towards a 3-5 year redevelopment horizon?**