

**Issuer:** Low Keng Huat (Singapore) Limited

**Security:** Low Keng Huat (Singapore) Limited

**Meeting details:**

Date: 31 May 2017

Time: 11:00H

Venue: Grand Mercure Roxy Singapore, Brooke, Meyer & Frankel Room Level 3, 50 East Coast Road, Roxy Square, Singapore 428769

**Company Description**

Low Keng Huat (Singapore) Limited, together with its subsidiaries, operates as a general building contractor. It operates through four segments: Construction, Development, Hotels, and Investments. The company engages in the building and engineering works; development of properties; ownership and operation of hotels and restaurants; and investment in properties and shares in quoted and unquoted equities. It owns and operates deluxe hotels in Perth of Australia, and Ho Chi Minh City of Vietnam under the Duxton Hotel brand. The company is also involved in the provision of hotel management services; and other hospitality-related business, such as food and beverage business under the Carnivore brand. It has operations in Singapore, Australia, Vietnam, Malaysia, and China. The company was founded in 1969 and is based in Singapore. Low Keng Huat (Singapore) Limited is a subsidiary of Consistent Record Sdn. Bhd.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=F1E](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=F1E))

**Q1.** As noted in the Chairman’s Statement (page 2 of the annual report), the group has “transformed itself from its main business of construction to property development and investment”. Shareholders would like to get more clarity into the performance of the four business segments of the group.

**Construction:** With the absence of construction revenue for third party projects in the year, revenue for construction projects decreased by \$19.1 million to \$0.6 million. Total assets in the segment amounted to \$244 million, just over 20% of the group’s total assets of \$1.15 billion (page 5).

- a) **What are management’s plans for the construction division given that group is no longer tendering for third party construction contracts since 2015?**
- b) **Given that the group has 20% of its total assets in the construction segment, is there a need to rationalise the construction division? Would there be any potential write-downs in “Plant, machinery and surveying equipment”?**

**Investment/Hospitality:** The change of use of Balestier Tower to mixed retail/serviced apartment (from mixed retail/residential development) resulted in the classification of the serviced apartment component as Property, Plant and Equipment and the retail podium as investment property. The group has also recognised impairment losses of \$1.11 million (Note 14) and \$3.34 million (Note 15) during the financial year ended 31 January 2017, representing the write-down of the investment properties and property, plant and equipment respectively to their recoverable values.

In the last annual report, the group reported that the serviced apartments will be owner-managed but in this year’s annual report, it was disclosed that the serviced apartments “will be operated by a third party in the hospitality business”.

- c) **Can shareholders understand how management arrived at the decision to convert the use of Balestier Tower to mixed retail/serviced apartment? Did the change and the delay lead to the impairment losses?**
- d) **What were management’s considerations when the group planned to internally manage the serviced apartments? What are the factors that led to the change in the plan (to let a third party operate the serviced apartments)?**

**Investment:** Westgate Tower achieved occupancy of 99.5% as at 15 March 2017 (page 3). As seen in Note 11 (page 93 – Joint ventures), the Westgate joint ventures reported a Net loss and total comprehensive expenses for the year of \$(8.12) million. The combined net liabilities position of the joint ventures has deteriorated from \$(0.39) million in 2016 to \$(8.51) million in 2017.

- e) **What is the average occupancy at Westgate Tower for the year?**
- f) **Can management help shareholders understand the performance of Westgate since the group’s acquisition in 2014? Has Westgate met the projected targets forecast by management at the time of the acquisition?**
- g) **What are management’s plans to improve the rental yield of Westgate Tower? Given that the leases have been locked in, are the joint ventures expected to continue to report losses?**

**Development:** The group successfully launched its Bina Park development in Bandar Seri Alam, Johor in 2012. Currently, the group’s landbank at Taman Rinting is at the planning stage (page 7). The group also has two more sites at Bandar Seri Alam, Johor and an additional site at Jalan Kota Tinggi, Johor.

- h) **What are management's plans for the Taman Rinting development?**
- i) **Can shareholders get an update on the timeline of the group’s development at Taman Rinting and the other three sites?**

**Q2.** Mr Lee Han Yang and Mr Lucas Lew were appointed as independent directors of the company on 28 January 1992. Accordingly, Mr Lee and Mr Lew have served for more than 25 years as independent directors. Mr Lee Han Yang has also been appointed to serve as the Lead Independent Director on 12 September 2006.

Mr Wey Kim Long was appointed as a Non-Executive Director of the Company on 5 April 2004 and was re-designated an Independent Director on 12 September 2006. Mr Wey has served on the board for more than 13 years.

Notwithstanding the board’s determination that the three directors (namely Mr Lee Han Yang, Mr Lucas Lew and Mr Wey Kim Long) remained independent despite the long tenures, Guideline 2.4 of the Code of Corporate Governance 2012 (Code) issued by the Monetary Authority of Singapore calls for the board to “also take into account the need for progressive refreshing of the Board”.

- a) **To ensure continuity and stability of the board, what are the company’s near-term plans to initiate the progressive refreshing of the board, as required by Guideline 2.4 of the Code?**
- b) **What is the search and nomination process for new board directors, especially independent directors?**

**Q3.** As the Non-Executive Chairman of the board, Tan Sri Dato’ Low Keng Huat’s responsibilities include ensuring that the business of the board and board committees are well managed (page 21 – Role of the Chairman).

As disclosed in the Corporate Governance report (page 18 - Meetings of Board and Board Committees), Tan Sri Dato’ Low attended one of four board meetings in FY2016/2017. Tan Sri Dato’ Low’s attendance at board meetings since FY2011 is shown in the table below.

	<b>No. of board meetings held</b>	<b>No. of Meetings Attended</b>
<b>FY2016/2017</b>	<b>4</b>	<b>1</b>
<b>FY2015/2016</b>	<b>4</b>	<b>2</b>
<b>FY2014/2015</b>	<b>4</b>	<b>1</b>
<b>FY2013/2014</b>	<b>4</b>	<b>2</b>
<b>FY2012/2013</b>	<b>4</b>	<b>1</b>
<b>FY2011/2012</b>	<b>4</b>	<b>3</b>

(Source: Low Keng Huat (Singapore) Limited Annual Reports)

Since FY2011/2012, Tan Sri Dato’ Low has attended 1 or 2 board meetings, of the 4 held in each financial year.

- a) **Can shareholders understand if there have been any extenuating circumstances that led to Tan Sri Dato’ Low’s absence at the board meetings?**
- b) **In Tan Sri Dato’ Low’s absence, has the effectiveness of the board and the board committees been affected?**

Tan Sri Dato’ Low will be retiring under Article 88 of the Constitution of the Company and will be put up for re-election at the Forty-Eighth Annual General Meeting (Resolution 3). As disclosed in the Directors’ profile, Tan Sri Dato’ Low has “wide experience in business, property construction and development in a career spanning more than 50 years” (page 13). The group, and the board, can benefit greatly under his leadership.

- c) **Should Tan Sri Dato’ Low be re-elected at the Forty-Eighth Annual General Meeting, how can the company secretary, the board chairman and the directors improve the scheduling of the board meetings so that all the directors can attend the board meetings, except under extenuating circumstances?**