

Issuer: Lum Chang Holdings Limited

Security: Lum Chang Holdings Limited

Meeting details:

Date: 27 October 2017

Time: 10.30 a.m.

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, and the United Kingdom. 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)

Q1. As reported in the Chairman’s Statement (pages 15-17 of the annual report), the group’s main divisions of property and constructions remain stable and have made good progress during the year. To get a better understanding of the projects, shareholders would like to ask the following questions:

- a) **Commercial property located along Serangoon Road: Are there plans to sell the retail components (as strata-title units) or does the group intend to keep the retail mall for recurring income? Is the serviced residence going to be self-managed or outsourced to established players to manage?**
- b) **One Tree Hill: Can management provide some visibility into the current development plans for One Tree Hill? When would the redevelopment start? How many units will be developed on the 39,100 square feet land?**
- c) **Twin Palms Sungai Long: When would management launch the remaining 185 units? What are the market trends or indicators that the company monitors to gauge to market’s demand for the unlaunched units?**

Q2. As disclosed in the discussion on capital risk (Note 34(d) – page 146), the group and the company have externally imposed limits by the banks and financial institutions to maintain a gearing ratio of not exceeding 150%.

As at 30 June 2017, the group is in a net cash position, down from a gearing ratio of 29% as at 30 June 2016.

With a dividend of 1.2 cents per share being proposed, and taking into account the interim dividend of 0.3 cents per share paid out in March 2017, the total dividend paid out for the financial year is 1.5 cents per share. This is a dividend payout ratio of 30.5% but the 1.5c dividend is a drop from the 2.0c of dividends paid out by the company in the past four years.

The summary of the earnings and dividends per share is extracted from page 38 and shown in the table below.

Per share:

Earnings attributable to the equity holders of the Company (Note 1)	4.91¢	7.73¢	7.80¢	6.73¢	5.80¢
Net asset value (Note 2)	\$0.58	\$0.56	\$0.55	\$0.52	\$0.46
Dividends paid & proposed (Note 3):					
Interim dividend	0.30¢	0.75¢	0.75¢	0.75¢	0.75¢
Final dividend	1.20¢	1.25¢	1.25¢	1.25¢	1.25¢

Notes: 1. Earnings per share (basic) is computed based on the weighted average capital (excluding treasury shares) during the year.
 2. Net asset value per share is computed by dividing the shareholders’ equity by the number of ordinary shares (excluding treasury shares) in issue at each year end.
 3. Please refer to Note 31 of the Notes to the Financial Statements for the treatment of the proposed dividend in the accounts.

(Source: Company annual report)

The company has given shareholders good dividend yield over the years.

- a) **With a strong balance sheet, and the group going into a net cash position, can shareholders understand the considerations by the board before cutting dividends to shareholders? Would it not be sustainable for the group to maintain the total dividend for the year at 2.0c?** It would just require less than \$2 million more.

Over the period shown, the company has a dividend payout ratio of between 26% to 35%.

- b) **Has the board considered if the company would formalise a dividend policy?** It would give added assurance to shareholders that the company will always strive to maintain a sustainable dividend payout to reward shareholders.

Q3. The company appointed Mr Kelvin Lum Wen Sum as a non-independent, non-executive director on 10 November 2016. As shown in the Corporate Governance Report (page 47), Mr Kelvin Lum Wen Sum received a remuneration of below \$100,000 for the period from 10 November 2016 to 30 June 2017.

In the section on Interested Person Transactions (page 51), the company reported interested person transactions with Mr Kelvin Lum Wen Sum for the sum of \$180,000 for consultancy services rendered.

- a) **Can the board and the company provide better clarity on the nature and scope of consultancy services provided by Mr Kelvin Lum Wen Sum?**
- b) **Were the consultancy services provided before Mr Kelvin Lum Wen Sum was appointed as a director of the company?**
- c) **Was there a contract entered into with Mr Kelvin Lum Wen Sum? Has Mr Kelvin Lum Wen Sum ceased providing consultancy services to the group?**
- d) **With the appointment of Mr Kelvin Lum Wen Sum as non-independent non-executive director, and if the consultancy services are still ongoing, how much of the consultancy services would fall under the normal duties of a director?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Lum%20Chang%20Holdings%20Ltd>

The company's response could be found here: -----