Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Lum Chang Holdings Limited

Stock code: L19

Meeting details:
Date: 29 October 2020
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide shareholders with better clarity on the following operational and financial matters related to its property developments/investments? Specifically:

(i) **Tekka Place:** The group's integrated redevelopment project at Serangoon Road received its TOP in November 2019. The 69,000 square feet retail mall has tenants such as NTUC Fairprice, Starbucks, Guardian and Ya Kun Kaya Toast. **Can management disclose the occupancy rates of the mall prior to the pandemic and the current committed occupancy rates?**

(ii) **Citadines Rochor:** The apart'hotel, operating as Citadines Rochor, opened its doors in December 2019 and has since April 2020 taken on the housing of returning residents serving quarantine or residents serving Stay-Home Notices. **Were the rates negotiated on a commercial basis or was it part of the group's community efforts against COVID-19, perhaps on a cost recovery basis?**

(iii) **One Tree Hill Collection: How is management marketing the prestigious landed residential project?** The group managed to sell one of the two bungalows in the financial year. Along with three semi-detached houses sold previously, there are still 9 semi-detached units and 1 bungalow unsold.

(iv) **Twin Palms:** The group achieved sales of 404 out of the 444 units launched as at 30 June 2020, up from 398 a year ago. **Can management help shareholders understand the underlying reasons for the slow sales of the remaining units? What are management's plans to sell the balance units and to launch the remaining 129 units in the later phases?**

Q2. In the construction segment, the group secured several notable projects in FY2020, increasing its total order book to $1.87 billion at the end of the reporting period.

In May 2020, the group secured a contract for the construction of a nature-themed indoor attraction and a resort at the Mandai Rejuvenation Project and followed up with a $155.5 million contract win in June 2020 from the Family Justice Courts for the refurbishment/addition and alteration works to the former State Courts Building - The Octagon at Havelock Square.

(i) **Would management help shareholders understand if the tenders were submitted prior to the outbreak of COVID-19? In particular, has the group been able to factor in the potential increases in costs and possibly lower productivity due to safe distancing measures?**

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(ii) **Would the company provide greater clarity on the changes in the operational landscape in the construction industry due to the pandemic? For instance, would there be severe manpower shortages, heightened labour costs, lower productivity, greater healthcare costs and safety procedures to comply with?**

(iii) **Does the group see any silver lining in the construction sector during the pandemic?**

Q3. The "valuation of investment properties" is a key audit matter (KAM) highlighted by the independent auditor (pages 86-92). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

The group's investment properties carried at fair value amounted to $58.3 million at 30 June 2020. (This excludes the valuation of the investment property (The Tekka Place) held by the group's material joint venture, Dorado Holdings Pte Ltd and its subsidiaries).

As shown in Note 21d (page 166 – Investment properties: Fair value hierarchy: Valuation techniques and inputs used in Level 3 fair value measurements), the development project relating to the 300-key serviced residences at Kelaty House in Wembley is carried at a fair value of $31.16 million. However, the company has stated the following:

The third party valuer engaged by management for one of the investment properties held by the group with fair value amounting to $31,164,000 at 30 June 2020 included a material valuation uncertainty clause in its report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of the investment property.

(i) **Would the board be publishing the valuation reports of its investment properties since there is a material valuation uncertainty clause in its report?**

(ii) **How did the audit and risk committee (ARC) address the material uncertainty clause?**

(iii) In addition, the total gross development value has dropped from $100.2 million to $84.4 million. The total expected cost to completion amounts to $47.2 million, with the fair value now being assessed at $31.2 million.

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Commercial properties under development in United Kingdom				
$31,164 (2019: $25,704)	Residual Valuation Method	Total gross development value	$84,358,000 (2019: $100,245,000)	The higher the total gross development value, the higher the fair value
		Total estimated cost to completion	$47,197,000 (2019: $68,064,000)	The lower the total estimated cost to completion, the higher the fair value

Has management reviewed the valuation report and finetuned its plans for the serviced residence at Kelaty House? How much operational flexibility does the group have at this stage of the development?

[The following question was posted to the company following the review of the 2018 annual report. The question has been updated and reposted to the company following the review of the 2020 annual report.]

Q4. The board comprises nine members, of whom three are executive directors, one non-executive non-independent directors and five independent directors.

Specifically, Mr Raymond Lum Kwan Sung serves as the executive chairman, Mr David Lum Kok Seng as managing director and Mr Tony Fong as executive director. The executive chairman and the managing director are siblings.

In the Code of Corporate Governance 2018, Principle 3 requires that there is a clear division of responsibilities between the leadership of the board and management and that no one individual has unfettered powers of decision-making.

The board and the company has stated that the executive roles of the executive chairman and managing director "*are not clearly separated as both are closely involved in the day-to-day management and operations of the group*" (page 58).

(i) **Would the board, especially the nominating committee, provide shareholders with better clarity on how effective is the board's decision making given the current arrangement?**

(ii) **Would the overlapping of executive duties skew the balance of power in the board and impair the board's capacity for independent decision-making?**

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(iii) **How does the current arrangement and board composition contribute to a collegiate setting which encourages constructive debate, draws out differing views and avoids groupthink?**

(iv) **How does the board evaluate the performance of the executive chairman and of the managing director?**

(v) **What is the division of responsibilities between the executive chairman/managing director and the third executive director, Mr Tony Fong?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)