



Securities Investors Association (Singapore)

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Issuer: Low Keng Huat (Singapore) Limited

Stock code: F1E

Meeting details:

Date: 31 May 2022

Time: 10.00 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.

Q1. As noted in the chairman's statement, the group made a strategic change and shifted its focus from commercial office space to retail by the disposal of the group's interests in Westgate Tower for \$97.1 million and the acquisition of the remaining 45% of Paya Lebar Square that was not already owned for \$90.5 million.

- (i) **For the benefit of shareholders, can management elaborate further on the rationale to focus on retail malls and to reduce the group's exposure to commercial office space?**

Westgate Tower was acquired for \$579.4 million in 2014 by the group and Sun Venture Homes Pte. Ltd. from the then-CapitaLand Group, or about \$1,900 per square foot based on the 99-year leasehold office tower's net saleable area of 304,963 sq ft.

- (ii) **What is the return on investment of the group's investment into Westgate Tower from 2014 to 2021?**

As at 31 January 2022, the occupancy rate at Paya Lebar Square (PLS) retail mall was 100%. Profit before tax at Paya Lebar Square increased to \$8.0 million for the financial year ended 31 January 2022 from \$3.8 million in the previous year, mainly due to reduced rental reliefs granted to tenants, decrease in provision of doubtful debts and lower interest expense.

- (iii) **Can management help shareholders understand if footfall and tenant sales at PLS have recovered to pre-COVID levels?**
- (iv) **Is the group still providing rental reliefs to tenants?**
- (v) **What was the rental reversion at PLS?**
- (vi) **With just a single large retail mall, are there significant challenges in sourcing for tenants (compared to other landlords such as REITs which have a network of several malls all over Singapore) and if so, how does management overcome this challenge (of the lack of scale)?**
- (vii) **For the group's other retail mall (BT Centre), loss before tax widened to \$3.8 million from a loss of \$0.6 million in the previous year, mainly due to an impairment loss (\$1.9 million) as well as a decrease in government grants and property tax rebate. Is BT Centre performing up to management's expectations? If not, what are management's strategies to turn BT Centre profitable?** The occupancy rate at BT Centre was 92% as at 31 January 2022.

Q2. Would the board/management provide shareholders with greater clarity on the following operational and financial matters related to the group's development projects and investments? Specifically:

- (i) **Klimt Cairnhill:** The group's freehold, 138-unit luxury project was launched in August 2021 and has sold 3 units as at 31 January 2022. The construction is 16% completed and the expected TOP for the project is Q1 FY 2026. **Is the project significantly impacted by the new cooling measures introduced by the government in December 2021 and more recently in May 2022? With just sales of 3 units as at 31 January 2022 (and 3 more between February 2022 to April 2022 based on caveats lodged), is management satisfied with the sales progress? What are the levers available to management to improve the sales of Klimt Cairnhill given that interest rates are widely expected to rise in the near term?**
- (ii) **AXA Tower:** What is the group's level of involvement and value-add, if any, in the redevelopment of AXA Tower?
- (iii) **HThree City Australian Commercial Fund 3 LP:** During the year, the group made capital contribution of \$19.0 million but recognised a fair value loss of \$(3.48) million in the financial year. **What are the reasons for the significant fair value loss of \$(3.48) million?**

5 Financial assets at FVPL

The Group	Note	2022 \$'000	2021 \$'000
<u>Investment in limited partnership</u>			
Balance at beginning of year		763	-
Additions		19,043	763
Fair value loss	30, 32	(3,480)	-
Exchange difference		(618)	-
Balance at end of year		<u>15,708</u>	<u>763</u>

These instruments are all mandatorily measured at fair value through profit or loss.

Q3. The board comprises 8 directors, including the executive chairman, the managing director and two other executive directors.

The present Board members and Board Committee members are as follows:-

Name of Director	Board Committees			
	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Low Keng Boon	Executive Chairman	-	Member	-
Dato' Marco Low Peng Kiat	Managing Director	-	Member	Member
Low Poh Kuan	Executive Director	-	-	-
Alvin Teo Poh Kheng	Executive Director	-	-	-
Jimmy Yim Wing Kuen	Lead Independent Director	Chairman	Member	Member
Chris Chia Woon Liat	Independent Director	Member	Member	Member
Michael Leong Choon Fai	Independent Director	-	-	Chairman
Cheo Chai Hong	Independent Director	Member	Chairman	-

(Source: company annual report)

Dato' Marco Low Peng Kiat, the managing director, is the nephew of the executive chairman, Mr Low Keng Boon. The executive director, Mr Low Poh Kuan, is the also nephew of the executive chairman and is the cousin of Dato' Marco Low Peng Kiat, the managing director.

Provisions 2.2 and 2.3 of the Code of corporate governance 2018 requires independent directors to make up a majority of a board where the chairman is not independent and for the non-executive directors to make up a majority of the board respectively.

The board considers that the independent directors, led by a lead independent director, provide a good balance of authority and power within the board. The board is of the view that there is a strong independence element within the board to justify the departure of the board composition from the Code.

Listing Rule 710 of the SGX Listing Manual also requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, **the reason(s) for the variation**, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle [emphasis added].

- (i) **Can the nominating committee (NC) help shareholders understand (a) the deliberations it had on and (b) the underlying reasons for the board's deviations from Provisions 2.2 and 2.3 of the Code?**

- (ii) In particular, three of the executive directors are related and collectively hold a majority stake in the company. **What is the basis for the board's view that there is a "good balance of authority and power within the board"?** It is also noted that the executive chairman has served on the board for more than 53 years. **Has the board come up with a strategy for board renewal and succession planning?**
- (iii) **Would the NC be reviewing the board composition, with a view on how it could refresh the board composition to meet the requirements of the CG Code 2018, in particular, Provisions 2.2 and 2.3?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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](http://www.sias.org.sg)

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)