



LOW KENG HUAT (SINGAPORE) LIMITED
(the "Company")
Company Registration No : 196900209G
(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS

The Board of Directors of Low Keng Huat (Singapore) Limited (the "Company" or "LKHS", and together with its subsidiaries, the "Group") refers to the questions received from the Securities Investors Association (Singapore) ("SIAS") and shareholders ahead of the Company's Annual General Meeting to be held on 16 June 2020 at 11.00 a.m. via live webcast. The Company wishes to provide its response below.

QUESTIONS FROM SIAS

Q1. As noted in the chairman's statement, the group has several ongoing development projects, as follows:

Project	Details	Remarks
Uptown @ Farrer	116-units residential condominium	TOP expected in Q4 FY2022
Klimt Cairnhill	Freehold high-end condominium development with 138 residential units	Launch for sales by Q4 FY2021; TOP by Q3 FY2024
Dalvey Haus (40%)	27-units freehold condominium development at Dalvey Road	TOP by Q2 FY2024

Based on data available from the URA website (shown below), the sold units at Uptown @ Farrer might have increased to 28 as at April 2020. This would mean that the project is 20-25% sold. For Dalvey Haus, only 1 unit has been sold and 26 units remain.

Project Name	Street Name	Developer	Property Type	Locality	Total Number of Units in Project	Cumulative Units Launched to-date	Cumulative Units Sold to-date	Total Number of Unsold Units	Cumulative Units Launched but Unsold	Units Launched in the Month	Units Sold in the Month	Median Price (\$psf) # in the Month Sold By Price Range	Lowest Price (\$psf) # in the Month	Highest Price (\$psf) # in the Month
DALVEY HAUS	DALVEY ROAD	Dalvey Breeze Development Pte Ltd	Non-Landed	CCR	27	27	1	26	26	0	0	-	-	-
UPTOWN @ FARRER	PERUMAL ROAD	Perumal Development Pte Ltd	Non-Landed	RCR	116	116	28	88	88	0	0	-	-	-

(Source: <https://www.ura.gov.sg/realEstateIIWeb/price/submitSearch.action>, retrieved on 3 June 2020)

- (i) For the Cairnhill sites, can management help shareholders understand if there were any delays in the handover of units as construction only commenced in February 2020?

Company's Response

There were 2 major processes that resulted in the delay of construction at Klimt Cairnhill.

Firstly the enbloc sale of Cairnhill Mansion started on 14 February 2018 and it was completed 15 months later on 23 May 2019. The longer time taken to complete the transaction was due to a High court action taken by an ex-owner objecting to the enbloc sale. Secondly one of the key approvals required, Provisional Planning Permission, took 9 months to obtain i.e. from May 2018 to February 2019 due to the delay in getting LTA's approval on the Pre Application Feasibility Study on traffic impact.

(ii) What are the reasons for the delayed launch of Klimt Cairnhill?

Company's Response

In addition to the response in question 1(i) the delayed launch of Klimt Cairnhill was caused by the lengthy search for a suitable show flat site due to lack of such sites. The search for show flat sites took 16 months from November 18 to March 20 before the Company obtained approval for the show flat suite.

Is the management satisfied with the sale progress at Uptown @ Farrer and Dalvey Haus? Given the market conditions, how does management intend to improve the sales, de-risk the group and to realise its development margins?

Company's Response

The Management is satisfied with the sales process at Uptown @ Farrer and Dalvey Haus considering the market condition and the size of the projects.

The Management intends to improve sales by enhancing digital marketing during COVID-19 pandemic period including the provision of virtual show gallery and digital sales brochures, online advertisements and participation in webinars to reach out to more potential buyers.

The Management will focus on the successful completion and sales of our development projects, continue to be selective and strategic in our land acquisitions and remain disciplined in capital management.

(iii) As the group has only a 40% stake in the Dalvey Haus project, what is the level of influence on the strategic matters of the development?

Company's Response

The Group has significant influence but as a 40% shareholder, no control over Dalvey Breeze Development Pte Ltd ("DBDP") which is the developer of Dalvey Haus project. We do participate in the formulation and close monitoring of the implementation of the financial and operating objectives and policies of DBDP.

(iv) Can management help shareholders understand the realised return on investment on the completed Kismis project? What advantage does the group have in mid/high-end property development? In planning for the Cairnhill project, what is the group's investment hurdle?

Company's Response

The Group's realised Return on Investment on Kismis was approximately 16%.

The Group's advantage in mid/high-end property development is our prior experience in jointly developing mid/high-end property development in Duchess Residences and One-North Residences.

The Group's investment hurdle for development projects ranges from 15% to 25% depending on the type and size of projects.

Q2. In September 2019, the group invested in a one-third stake in HThree City Australia Pte Ltd ("HThree City Australia"), with partners Adelanto Investments Pte. Ltd. (an indirect wholly owned subsidiary of City Developments Limited) and Holland Hill Holdings Private Limited.

HThree City Australia, along with a 51% subsidiary of the group, HThree Capital, will be providing property fund management services via the establishment of a real estate fund.

(i) Can management help shareholders understand the group's role and expected contribution in HThree City Australia?

Company's Response

Besides having a one-third shareholding stake in HThree City Australia Pte. Ltd. ("HThree"), the Group has representation in HThree's board of directors ("Board"), holding 1 of 3 seats.

HThree's principal activity is providing property fund management services. Although not involved in the day-to-day operations of HThree, the Board maintains high-level oversight over the management team and participates in overall strategic decisions and direction of HThree.

(ii) What is the mandate of the real estate fund?

Company's Response

The mandate of the real estate fund is to invest in well located commercial real estate assets in Australia with the aim of achieving attractive risk-adjusted returns for fund's investors. The fund term is 7 years, with the option of up to two one-year extensions.

(iii) Will the group be making capital investments into the newly established fund as well?

Company's Response

The Group has committed AUD 50m to the fund which will be drawn down progressively over the term of the fund.

(iv) What experience does management have in the Australian real estate market that would allow it to value-add to the joint venture?

Company's Response

The Group has owned and operated hotels in Australia since 1990's and currently owns and operates Duxton Hotel Perth. The Group has accumulated extensive experience over the years developing, managing, owning and investing in commercial real estate assets across Singapore and Malaysia. The Group foresees that this experience will add value to the joint venture. The management team of HThree has extensive experience investing in Australian commercial real estate and will be involved in the day-to-day operations of the company.

Q3. The board currently comprises seven directors of whom three are executive, Mr Low Keng Boon @ Lau Boon Sen is the executive chairman, Dato' Marco Low Peng Kiat is the managing director while Mr Low Poh Kuan is the executive director. The directors have served on the board for more than 50 years, 13 years and 15 years respectively.

The profiles of the executive directors can be found on pages 13 and 14 of the annual report. Additional information on directors seeking can be found on page 179.

(i) Would the company help shareholders understand the roles and responsibilities of the executive directors?

Company's Response

The Executive Chairman, one of the founders of the Group, leads and manages the affairs of the Board including the approval of agendas for board meetings. In addition the Executive Chairman sets strategic direction for the Group and is involved in making major investment decision.

The Managing Director makes key decisions on the management and operations of the Group and is responsible for the conduct of the business and affairs of the Group.

Both Executive Chairman and Managing Director are jointly responsible for setting the strategic plans of the Group.

The Executive Director is responsible for the daily operations and management of the Development business segment of the Group.

(ii) Is there substantial overlap in the job scopes of the executive directors?

Company's Response

There is no substantial overlap in the job scopes of the executive directors.

- (iii) How does the remuneration committee assess the performance of the executive directors?

Company's Response

The remuneration committee deliberates on the individual performance of the executive directors based on financial (e.g. revenue, profitability) and non-financial parameters (development designs, work place accidents and stop work orders) and makes its recommendations to the Board for approval.

QUESTIONS FROM SHAREHOLDERS

Q4. Chairman stated in the chairman statement that for Duxton Hotel Perth the room occupancy at 63% as at 31 January 2020 and Citadines Balestier has achieved occupancy of approximately 85% as at 15 April 2020.

- (i) What is the average occupancy rate and Average Room Rates for Citadines Balestier (i.e. Since opening on Sep 19) and Duxton Hotel Perth for last FY 2020? What is the RevPAR?

Company's Response

Citadines Balestier

Average occupancy rate and average room rates for Citadines Balestier since opening in September 2019 to April 2020 ranged from 40% to 72% and \$110 to \$145 respectively. Revenue PAR ranged from \$60 to \$120. The initial lower occupancy and room rates were due to lower room readiness and pre-opening promotions.

Duxton Hotel Perth

Average occupancy rate and average room rates for Duxton Hotel Perth for financial year 2020 ranged from 53% to 72% and A\$153 to A\$180. Revenue PAR ranged from A\$87 to A\$129.

- (ii) What is the reason for the seemingly high occupancy rate for Citadines Balestier given the Covid-19 outbreak?

Company's Response

The high occupancy at Citadines Balestier was due to demand from guests affected by COVID-19 outbreak.

Q5. Disposal of 50% of AXA Tower to Alibaba Group based on the NAV of the property at S\$1.68 billion. LKH has an effective interest of 20% and according to the announcement LKH will make a gain of S\$53.9 mil and the net proceeds of S\$67.1 mil from the divestment after taking part in the enlarge joint venture with an effective interest of 10% AXA tower. Based on the announcement the sale is expected to close around June 2020.

- (i) How is the sale progress coming along? Is the sale on target of closing in June 2020?

Company's Response

The transaction is in progress and it is targeted to complete by June 2020.

- (ii) What is the use of the net proceeds of \$67.1 mil?

Company's Response

The expected proceeds of \$67.1 million will be used to reduce bank loan and fund working capital.

- (iii) Note 13, Other investments at amortised cost, what will happen to the \$32mil junior bonds subscribed by LKH with the sale of AXA Tower.

Company's Response

The \$32 million junior bond will be repaid in full.

Q6. Is the company's balance sheet strong enough to withstand cash flow pressures due to COVID-19?

Company's Response

The Group has cash and cash equivalent of \$68.6 million and unused available banking lines of \$194.0 million as of 31 January 2020. Approximately 92% of our loans are long term in nature and are secured against our properties. We also expect disposal proceeds of \$67.0 million from the partial sale of our investment in AXA Tower in June 2020. As such, we believe we have the liquidity and the support of our banks to withstand any short term cash flow pressures due to COVID-19 pandemic. Of course, given the dynamic nature of the pandemic at hand and any further deterioration of the economy over a prolonged period due to COVID-19, this would necessitate a further review of which we are sparing no effort in doing so on a day-to-day basis.

Q7. What are the company's strategic plans for the downturn?

Company's Response

The Group will focus on the successful completion and sales of our development projects and optimising operational requirements in investment and hotel segments. We will continue to be selective and strategic in our business acquisitions and remain disciplined in capital management.

Q8. Why has the company been inactive in the construction business (for third party) in the last few years?

Company's Response

The Group's strategy is for construction division to provide construction services for internal property development and investment projects. This strategy is to support the Group's focus on property development and investment to generate consistent recurring income streams in the long term where our construction expertise can reduce construction costs and improve build quality of our property projects.

Q9. Why has the company's investment in Westgate Tower and Paya Lebar Square been delivering borderline profitability despite having occupancies above 90%? Is it mainly due to depreciation?

Company's Response

Westgate Tower and Paya Lebar Square obtained TOP in 2014 and have consistently achieved occupancies above 90%. Despite their high occupancies, their profitability is affected by depreciation and financing cost due to the high initial capital investment cost. However, both properties have generated positive cash profit for the past two years.

Q10. The company may have paid too high a price for the Cairnhill Mansion en bloc. Please comment.

Company's Response

The Group tendered for Cairnhill Mansion on an en bloc basis in 2018 on an open market basis and the Management believed that the valuation paid was fair.

Q11. My understanding of the stake at AXA Tower was held through a bond. So with this disposal transaction and a reinvestment, will it mean there is no more bond interest?

Company's Response

Yes there will no longer be any bond interest income upon completion of disposal transaction.

Q12. Will the board reward shareholders with a special dividend in this upcoming half year result announcement resulting from the capital gains from this asset disposal. It would be much appreciated by shareholders in this trying times.

Company's Response

The Board notes this and will consider the dividend request by end of financial year 2021.

Q13. To what degree has the COVID-19 affected the rentals of our commercial and retail properties.

Company's Response

The COVID-19 pandemic has affected global markets and businesses including our commercial and retail properties. The situation continues to be evolving and remains uncertain and hence it is not possible to accurately assess the full impact of the COVID-19 pandemic on the Company's businesses. The Company will continue to monitor and adjust and adapt its strategy and operations to mitigate the impact of COVID-19 pandemic.

Q14. Any cost cutting measures by the co to ensure profitability

Company's Response

The Company has always been very prudent in our cost management. The support measures of the Singapore Government will help to ease the financial impact on the Group's profitability. We will seek to optimise our cost structure and improve productivity. We will postpone non critical capital expenditure to conserve cash flow. Our strategy will be to focus on increasing revenue from development projects and retaining tenants at our investment properties. The Company will continue to monitor and adjust and adapt its strategy and operations to mitigate the effects of COVID-19 pandemic.

Q15. Any plans to get rid of the F&B business? Outlook is certainly very poor.

Company's Response

The Group intends to maintain our F&B business at Carnivore Brazilian Churrascaria and will focus on cost reduction initiatives and implementing new channels of sales including enhancement of digital marketing.

BY ORDER OF THE BOARD

CHIN YEOK YUEN
Company Secretary
14 June 2020