
ANNUAL GENERAL MEETING TO BE HELD ON 31 MAY 2023 RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS

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 shareholders relating to the Company’s 54th Annual General Meeting to be held on Wednesday, 31 May 2023 at 11.00 a.m. via live webcast. The Company wishes to provide its response below.

Q1. Is the company satisfied with the sales progress at Klimt Cairnhill and Dalvey Haus? Please advise the latest sales number for Klimt Cairnhill. Particularly worrying is Dalvey Haus which will TOP soon. Why are the projects’ sales hardly moving?

Ans: Before the reopening of borders earlier this year, high-end luxury residential sales for projects under construction were slow. The luxury property segment serves a niche market, and sales were affected by cooling measures implemented by the Singapore government, border closures in China and rising interest rates.

However, we saw a pick-up in sales for both projects post financial year ended 31 January 2023. Particularly for the Klimt Cairnhill project, all our large units, i.e. penthouses and 4 bedroom units, have been sold. Dalvey Haus is expected to achieve TOP by June 2023, and we will be able to sell ready to move-in units.

To date, 60 units at Klimt Cairnhill project have been sold, achieving 43% of sales, based on units, and at almost 60%, based on targeted gross development value. 9 units at Dalvey Haus project have been sold.

Q2. Will the company be able to pass the cost increase from inflation and higher interest rates with higher sales price for both projects?

Ans: The ability to pass inflationary costs to buyers is subject to market conditions. In view of the most recent property cooling measures, with Additional Buyer’s Stamp Duty (ABSD) hikes the steepest for foreigners, the ability to pass any incremental costs could be limited.

Instead, our focus will be to manage our costs, with Low Keng Huat (Singapore) Limited the main contractor for both projects. In addition, we are also closely monitoring our leverage and cash flows, to ensure that borrowings at the Klimt Cairnhill project are kept at appropriate levels to minimize our interest burden and to ensure sufficient cash flows to complete the project.

Q3. Does the company conduct valuations for its properties every year?

Ans: External valuations are obtained for the Group's key properties on an annual basis.

Q4. Excluding one-off gains/losses, the company lost money in the last 2 years. Will the company undergo cost cutting to turn profitable this financial year?

Ans: Excluding one-off disposal gains and losses for the last two years, the Group's net loss attributable to shareholders would have been \$13.8 million in FY2023 and \$7.5 million in FY2022.

The net loss in FY2023, adjusted for one-off losses, was mainly driven by (a) slower sales at Klimt Cairnhill project, while incurring costs, i.e. marketing and interest expenses; and (b) overall increase in interest expenses due to a steep increase in interest rates. Nevertheless, the Group managed to generate a positive net cash from operating activities less interest paid of \$5.4 million during the year.

The net loss in FY2022, adjusted for one-off gains, was mainly driven by the weak performance for the Hotels segment as the hospitality sectors were impacted by COVID-19. Net cash generated from operating activities less interest paid was \$80.4 million, driven mainly by sales proceeds from Uptown @ Farrer.

The Group is constantly reviewing its cost structure, with a focus on improving profitability, while maintaining or increasing efficiency.

BY ORDER OF THE BOARD

ALVIN TAN TECK LOON
Company Secretary
24 May 2023