

Issuer: OKP Holdings Limited
Security: OKP Holdings Limited

Meeting details:

Date: 26 April 2018

Time: 10.00 a.m.

Venue: 30 Tagore Lane, Singapore 787484

Company Description

OKP Holdings Limited operates as a transport infrastructure and civil engineering company in Singapore. The company operates through two segments, Construction and Maintenance. The Construction segment constructs urban and arterial roads, expressways, vehicular bridges, flyovers and buildings, airports infrastructure, and oil and gas-related infrastructure for petrochemical plants and oil storage terminals. The Maintenance segment provides re-construction work performed on roads, road reserves, pavements, footpaths and kerbs, guardrails, railings, drains, and signboards, as well as bus bays and shelters. The company also offers technical management and consultancy, rental and investment holding, and transport and logistics services. OKP Holdings Limited was founded in 1966 and is based in Singapore. OKP Holdings Limited is a subsidiary of Or Kim Peow Investments Pte. Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5CF)

Q1. In the Chairman’s Statement (pages 4 to 7 of the annual report), a detailed performance review of the year was given, together with the financial highlights. On pages 8 to 11, the Group Managing Director, in his review, discussed specific details of the group’s projects, including the group’s core business of construction projects, maintenance projects and property development/investments.

The first mention of the worksite incident that happened on 14 July 2017 at the Tampines Expressway to Pan-Island Expressway exit was on page 43 in the Operating and Financial Review.

- a) **Would it be better if senior management, especially the Group Chairman and Group Managing Director, address the issue of workplace safety and the worksite incident directly and with candour so that shareholders are assured that top management is dealing with the issue of workplace safety and is committed to achieving the highest safety standards?**
- b) **Can management update shareholders on how the group’s safety awareness and training has been further improved since the worksite incident?**
- c) **Has the board assessed how the worksite incident will affect the company’s ability to win new contracts?**
- d) **The construction of viaduct from TPE to PIE (Westbound) and Upper Changi Road East has been suspended to facilitate the authority’s investigation. The group has recognised additional costs of \$3.2 million (page 129). Can the audit committee help shareholders understand how the assessment was made and if it is likely that more additional costs will be incurred as the suspension drags on further?**

Q2. Principle 2 of the 2012 Code of Corporate Governance (Code) states that there should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board’s decision-making.

In addition, Guideline 2.2 calls for independent directors to make up at least half of the board in companies where the chairman is not independent, or where the chairman and the CEO are immediate family members.

In the company’s Corporate Governance Report, it was disclosed, on page 91, that:

“The Group Chairman, Mr Or Kim Peow, and the Group Managing Director, Mr Or Toh Wat, are immediate family members as well as part of the Management. However, the Board is of the opinion that based on the Group’s current size and operations, it is not necessary nor cost-effective to have independent directors make up at least half of the Board. The NC is of the view that no individual or small group of individuals dominate the Board’s decision-making”.

- a) **Would the board, and especially the nominating committee (NC), explain how it has assessed that it is “not necessary” to have independent directors make up at least half of the board as recommended by the Code?**
- b) **How did the board and the NC determine the additional value that a board with stronger independence element can create?**
- c) **As the three independent directors receive fees of \$180,000, assuming that three more independent directors will also receive fees of \$180,000, does the board and the NC consider that the extra \$180,000 fees would be prohibitively high, unnecessary and not cost-effective for a company with a market capitalisation of more than \$100 million?**

Q3. The board has disclosed that, “[a]fter due consideration and careful assessment, the [nominating committee (NC)] and the Board are of the view that Dr Chen Seow Phun, John, Mr Nirumalan s/o V Kanapathi Pillai and Mr Tan Boen Eng continue to be considered independent, notwithstanding that they have served on the Board for more than nine years.

Dr Chen Seow Phun, John and Mr Tan Boen Eng were each first appointed to the board on 25 June 2002 while Mr Nirumalan s/o V Kanapathi Pillai was first appointed on 1 June 2005. As such, Dr Chen and Mr Tan have each served on the board for approximately 16 years while Mr Nirumalan has served on the board for approximately 13 years.

The NC consists of Mr Tan Boen Eng (as chairman) and Dr Chen Seow Phun, John and Mr Nirumalan s/o V Kanapathi Pillai, all three long tenured directors who are subject to particularly rigorous review of their independence.

- a) **Can the NC explain how it had carried out the review of the independence of the directors when all three members of the NC are subject to the same review?**
- b) **Was any director involved in the review of his own independence?**
- c) **How effective was the NC in discharging its duties?**
- d) **As the board has taken into account the need for the progressive refreshing of the board, please help shareholders understand the board’s near-term plans to progressively refresh the board so that there is a stable and smooth transition to a refreshed board of directors?**