



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: OKH Global Ltd.

Security: OKH Global Ltd.

Meeting details:

Date: 26 October 2018

Time: 2.30 p.m.

Venue: 58 Kim Yam Road, The Herencia, #02-01, Singapore 239359

Company Description

OKH Global Ltd., an investment holding company, engages in integrated construction and property development activities in Singapore. It operates through Construction Contractor, Property Development, and Property Investment segments. The company operates as a general builders and construction contractors; sells construction materials; develops industrial properties; and leases investment properties. It also offers general engineering and treasury management services, as well as advertising and related services. The company was formerly known as Sinobest Technology Holdings Ltd. and changed its name to OKH Global Ltd. in April 2013. OKH Global Ltd. was founded in 1998 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S3N)

1. Would the board/management provide shareholders with better clarity on the following matters? Specifically:

- (i) **Pipeline:** With the completion of Ace@Buroh in FY2017, the group has completed all its development projects. **Given the market conditions, and the corporate developments in the group (see Q2 below), is management still actively looking for development opportunities in the logistics/industrial sector in Singapore?**
- (ii) **Gearing:** **What metric does the board/management use to monitor the group's leverage?** As at 30 June 2016, the group has net equity of \$92.3 million and total assets of \$276.4 million. **How would the group be able to fund any new ventures/investments?**
- (iii) **Financial covenant:** In Note 4 (page 75 – Financial instruments, financial risks and capital management: Capital management policies and objectives), it was stated that the group was not in compliance with an externally imposed capital requirement but the bank had granted accommodation on the breach of the bank covenant. **What is the financial covenant? What is the balance amount of the loan?**
- (iv) **Cost of capital:** In FY2018, the company received a secured loan of \$32.8 million for a shareholder which bears interest of 4.8% per annum. The total outstanding loan from the shareholders amounted to \$52.8 million. **Can the audit committee help shareholders understand how the interest rate of 4.8% was determined?** While this is lower than the 8% charged by Jadewin Smooth Limited, a third party, the company has other bank loans with interest rates of 2.9%. **Has management explored how it could lower its overall cost of capital?**
- (v) **Trade receivables:** Of the \$17.5 million of trade receivables as at 30 June 2018, \$8.35 million was past due but not impaired. Trade receivables amounting to \$4.1 million was past due for more than 12 months but not impaired. **Can management help shareholders understand the reason(s) for the sharp increase? What is the profile of customers with long outstanding debt and how is management working with the customers to collect on these long outstanding debt?**

2. In February 2018, the company announced that it had entered into a strategic cooperation agreement with Ping An Industrial and Logistics Co., Ltd. to develop and manage a network of high quality logistics and warehousing facilities in China for a period of 3 years. This is part of the group's strategy to become a key player in China's growing logistics property market.

- (i) **Can the board/management help shareholders understand how the group would be able to fund any such expansion into the logistics and warehousing sector in China, given the group's current financial position?**

- (ii) What is the expertise of the management team in managing logistics and warehousing assets, and doing so in China?**
- (iii) Has the board/management assessed the risks associated with the proposed expansion into the China logistics property market? Would it significantly alter the risk profile of the group?**
- (iv) Can management shed some light on its strategy to enter the Chinese logistics property segment?** There are big established players, such as China Logistics Property Holdings and GLP, the latter owning more than 31 million sqm of logistics assets in China.

3. On 11 October 2018, it was announced by Chip Eng Seng Corporation Limited (CES) that Mr. Lock Wan Hai has joined the board as an independent director. This follows the acquisition of nearly 30% interest in CES by Mrs. Celine Tang, the company's non-executive chairman.

Mr. Lock is the company's executive director and chief executive officer and is responsible for the strategic development of the group's business activities, where he oversees all key aspects of the group's business functions and is responsible for the business development and investment opportunities of the group.

- (i) Given that the group is still highly leveraged, not in compliance with a financial covenant for more than a year and is looking to expand to a new segment (logistics property in China), can Mr Lock, as executive director and CEO of the company, help shareholders understand his commitment to the group and why it would be beneficial for the group to have him join another board as independent director?**
- (ii) Did the board and the nominating committee pre-approve Mr. Lock's appointment as director of CES?**

As detailed in the annual report, CES and its subsidiaries carry out development and investment activities in the "residential, commercial and industrial segments". CES currently has an investment portfolio that includes an industrial building in Singapore.

- (iii) As the group and CES have overlapping mandate (in the development and investment of industrial properties), would Mr. Lock be frequently put in a position of conflict?**
- (iv) How does the board oversee, manage and reduce any potential conflict of interests, including act of omissions (which would be difficult to judge)?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=OKH%20Global%20Ltd>



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The company's response could be found here: -----

