Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: OKP Holdings Limited

Stock code: 5CF

Meeting details:
Date: 27 April 2020
Time: 11.00 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.

Company Description

Incorporated in Singapore on 15 February 2002 as an investment holding company and subsequently listed on the Singapore Exchange of Singapore Dealing and Automated Quotation System ("SESDAQ") on 26 July 2002, OKP was established in 1966 by Founder and Chairman, Mr Or Kim Peow, PBM. OKP is an infrastructure and civil engineering company, specialising in the construction of airport runways and taxiways, expressways, flyovers, vehicular bridges, urban and arterial roads, airport infrastructure and oil and gas related infrastructure for petrochemical plants and oil storage terminals. OKP has two core business segments, Construction and Maintenance. The Group tenders for both public and private civil engineering and infrastructure construction projects. Its works involve the construction of urban and arterial roads, expressways, vehicular bridges, flyovers, airport infrastructure and oil and gas-related infrastructure for petrochemical plants and oil storage terminals as well as the maintenance of roads and road related facilities and construction-related works. The Group has seven subsidiary companies namely Or Kim Peow Contractors (Private) Limited, Eng Lam Contractors Co (Pte) Ltd, OKP Technical Management Pte Ltd, OKP Investments (China) Pte Ltd, United Pavement Specialists Pte Ltd, OKP (Oil & Gas) Infrastructure Pte Ltd and OKP (CNMI) Corporation in Saipan, the Commonwealth of Northern Mariana Islands. OKP's clientele includes the Civil Aviation Authority of Singapore, Commonwealth Ports Authority from the Commonwealth of Northern Mariana Islands, Land Transport Authority, the Housing Development Board, the Public Utilities Board, the Jurong Town Corporation, Rotary Engineering Limited, Foster Wheeler Asia Pacific Pte Ltd and WorleyParsons Pte Ltd, Universal Terminal (S) Pte Ltd and Far East Organisation.
(Source: https://www.sgx.com/securities/equities/5CF)

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. On 14 February 2020, the company provided shareholders with a profit guidance that the group is "expected to report a net loss for 4Q2019, although the Group is expected to be profitable for the full financial year ended 31 December 2019 ("FY2019")".

While the group reported a net profit of $681,000 for FY2019, it is observed that profit after income tax and non-controlling interests was negative at $(378,000). This was due to the $1.06 million of profit attributable to non-controlling interests.

The financial review section can be found on page 42 of the annual report (reproduced below).

FINANCIAL REVIEW

Income Statement

	FY2019 $'000	FY2018 $'000	Change $'000	Change
Revenue				
- Construction	**49,966**	46,051	3,915	8.5%
- Maintenance	**25,683**	40,363	(14,680)	(36.4%)
- Rental income	**5,747**	4,035	1,712	42.4%
Total revenue	**81,396**	**90,449**	**(9,053)**	**(10.0%)**
Cost of sales	**(70,550)**	(72,519)	(1,969)	(2.7%)
Gross profit	**10,846**	**17,930**	**(7,084)**	**(39.5%)**
Gross profit margin	**13.3%**	19.8%		
Other gains/(losses), net	**2,543**	(565)	3,108	550.1%
Expenses				
- Administrative	**(10,022)**	(9,540)	482	5.1%
- Finance	**(1,288)**	(1,133)	155	13.7%
Share of loss of associated companies and joint ventures (net of tax)	**(1,039)**	(121)	918	758.7%
Profit before income tax	**1,040**	**6,571**	**(5,531)**	**(84.2%)**
Income tax expense	**(359)**	(925)	(566)	(61.2%)
Net profit	**681**	**5,646**	**(4,965)**	**(87.9%)**
Net profit margin	**0.8%**	6.2%		
Profit attributable to:				
Equity holders of the Company	**(378)**	6,488	(6,866)	(105.8%)
Non-controlling interests	**1,059**	(842)	1,901	225.8%
	681	5,646	(4,965)	(87.9%)

(Source: company annual report)

(i) In the Group MD's review (page 10), the maintenance business was described as the "bread-and-butter" of the group as it ensures a continuous and steady stream of recurrent income. **Can management elaborate further on the reason(s) for the significant decrease in maintenance revenue for FY2019?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Since its listing in July 2002, the full-year loss of $(378,000) attributable to equity holders is the first for the group. The group's productivity measures (value add per employee, value add per dollar of employment cost, value add per dollar of investment in fixed assets etc.) have fallen to one of the lowest levels in the past 10 years.

(ii) **Can management help shareholders understand how it is pro-actively improving its productivity and its strategy to return to profitability in a highly competitive pricing environment given the rising manpower cost?**

Q2. With the completion of Amber Skye and LakeLife, the group has ventured into new property developments, namely The Essence and Phoenix Heights. The former, a condominium project at Chong Kuo Road comprising two five-storey blocks with 84 units, was launched in March 2019 while the latter, a 74-unit residential development project at Bukit Panjang, is expected to be launched in 2020.

(i) **Can management provide shareholders with regular updates on the sales progress of its development projects?**

Q3. At the annual general meeting scheduled to be held on 27 April 2020, Dr Chen Seow Phun, John will be retiring by rotation pursuant to Regulation 107 of the Constitution and will be seeking his re-election.

Dr Chen was first appointed to the board on 25 June 2002 and has been appointed the "lead independent director" since August 2006.

As noted in the director's profile (page 32), Dr Chen is currently the executive chairman of Pavillon Holdings Limited and the chairman of SAC Capital Private Limited. In addition, the director sits on six other boards as follows:

- Fu Yu Corporation Ltd
- Hanwell Holdings Ltd (previously known as PSC Corporation Ltd)
- Hiap Seng Engineering Ltd
- Hong Lai Huat Group Limited (previously known as HLH Group Limited)
- Matex International Limited
- Tat Seng Packaging Group Ltd

(i) **How does Dr Chen ensure that he devote sufficient time, energy and attention to the company's matters?**

(ii) **As the lead independent director, would Dr Chen be holding himself to a higher standard of governance practices and norms? For example, is it in line with current governance standards and best practice for a "lead independent director" to hold tenure for nearly 14 years?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

With the revised Code of Corporate Governance ("2018 CG Code") issued by the Monetary Authority of Singapore in August 2018, and together with the amendments to its Listing Rules by SGX, the term of an independent director will be limited to nine years after which the long-tenured directors will be subject to a two-tier vote by shareholders, effective 1 January 2022. In addition, independent directors have to make up one-third of the board.

(iii) **Has the board, especially the nominating committee, evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

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

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)