Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Ocean Sky International Limited

Stock code: 1B6

Meeting details:
Date: 26 June 2020
Time: 10.30 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.

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Q1. As noted in the chairman's statement, the group achieved a 7.7% year-on-year increase in revenue to $23.82 million for the financial year ended 31 December 2019. The increase was mainly due to the higher volume of work performed and certified across the group's construction and engineering segment in FY2019.

Gross profit was lower by a third at $2.2 million for FY2019. Gross profit margin slipped from 14.9% in FY2018 to 9.2% in FY2019 despite the increase in revenue. The company has stated that the lower gross profit was due mainly to increases in manpower and subcontractor costs.

(i) **What is the group's competitive advantage in the construction and engineering segment?**

(ii) In Note 30 (page 111 – Segment reporting), the construction and engineering segment reported a segment result of $809,000 before unallocated corporate headquarter expenses of approximately $1.6 million. **With its current scale and expertise, how does the group intend to operate in the segment profitably?**

(iii) In FY2019, the company once again impaired the goodwill allocated to the group cash-generating unit consisting of Ang Tong Seng Brothers Enterprises Pte Ltd and Ang Tong Seng Construction Pte. Ltd.. Key assumptions for the value-in-use calculations include earnings before interest, tax, depreciation and amortisation ("EBITDA") margin ranging from 5.0% to 7.0% (2018: 9.3% to 9.9%) and revenue growth rate of 0.7% (2018: 16.6%). In FY2018 and FY2019, the impairment losses of goodwill were $(7.0) million and $(4.76) million respectively. The entire goodwill of $11.76 million associated with the construction and engineering CGU has been written off in two years. **Can the board elaborate further on the sustainability of its construction and engineering business?**

Q2. Would management elaborate further on the group's property development business? Specifically:

(i) **6 Nim Road: Are the group's marketing and sales efforts for 6 Nim Road affected by the COVID-19 pandemic? Has the group received offers for the detached house?** The Certificate of Statutory Completion for the redevelopment was received in November 2019.

(ii) **TSky Development Pte. Ltd.:** The group has a 40%-stake in the joint venture company that is carrying out the development of the high-end residential projects, namely Sloane Residences at 17 Balmoral Road and Cairnhill 16 at 16 Cairnhill Rise. **What is the level of sales at both of these developments?**

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Q3. As noted in the Corporate Governance report, two independent directors, namely Mr Chua Keng Hiang and Mr Ng Ya Ken, have served on the board for more than nine years since the date of their respective first appointment.

The company acknowledged that, under the amended SGX-ST Listing Rules, the re-appointment of directors who have served the board beyond nine years from the date of their first appointment will be subjected to a two-tier shareholders voting in order to be considered independent. This will come into effect from 1 January 2022.

The company has stated that it will put in place the two-tier shareholders voting for any retiring independent director who has been a director for an aggregate period of more than 9 years seeking re-election in annual general meeting to be held from 2020 onwards.

(i) **Would the company early adopt the two-tier voting system for the re-election of Mr Ng Ya Ken?**

(ii) **Would the company disclose its board diversity policy, and the progress made towards implementing the board diversity policy? (Provision 2.4 of the Code of Corporate Governance 2018 ("CG Code"))**

Principle 4 of the CG Code also requires the board to have a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the board.

The nominating committee has stated that it may tap on the directors' personal contacts and recommendations and/or through search companies in identifying suitable candidates for new appointment as director.

(iii) **How does the board's search and nomination practices support the board diversity policy and the progressive renewal of 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.

^ 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)

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