

OKH GLOBAL LTD.
(Company Registration Number: 35479)
(Incorporated in Bermuda)

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL
YEAR ENDED 30 JUNE 2022**

The Board of Directors (the “**Board**”) of OKH Global Ltd. (the “**Company**” and its subsidiaries, collectively the “**Group**”) refers to the annual report of the Company for the financial year ended 30 June 2022 published on SGXNet on 3 October 2022. The Board would like to provide its response to the questions raised by Securities Investors Association (Singapore) as follows:

Q1. For the financial year ended 30 June 2022, the group recognised revenue of \$16.46 million (FY2021: \$16.13 million) and gross profit of \$13.62 million (FY2021: \$13.70 million).

Net cash from operating activities was \$1.36 million in FY2022 (FY2021: \$9.01 million).

As shown in the consolidated statement of cash flows (page 61), the group received proceeds of \$1.46 million and \$0.96 million in FY2022 and FY2021 respectively from the sale of investment properties.

(i) Can management help shareholders better understand the group’s strategy to sell the completed units, especially given the current weak market conditions? What were the efforts by management to sell the completed units to deleverage and to derisk the group? What were the challenges, if any?

(ii) What are the occupancy rates of the group’s investment properties in Ace@Buroh, Loyang Enterprise, 12 Tai Seng Link and The Herencia?

Company’s response:

The current state of the industrial real estate market in Singapore continues to remain challenging amidst the COVID-19 pandemic, even as Singapore gradually open up its economy. The ongoing geopolitics has also impacted global economies and many businesses. As there is no certainty on when the global economy will recover and resume normal business operations, many of our customers, mainly SMEs, prefer to lease as opposed to buying our properties at this time. However, the Group has continued to market our completed units through various marketing agencies and has also approached our tenants on a regular basis to convert them into buyers. In the meantime, rental revisions have been positive.

As at 30 June 2022, the occupancy for the properties were as follows:

Property	Occupancy
Ace@Buroh	100%
Loyang Enterprise	100%
12 Tai Seng Link	100%
The Herencia	81%

In FY2022, net loss for the year was \$(21.35) million (FY2021: profit of \$3.63 million). This was mainly due to the fair value loss of approximately \$(8.4) million related to the group's investment properties and a realised loss of \$(19.3) million on the sale of investment in associates and financial asset at fair value arising from the group's sale of its entire equity stake in Equalbase Pte Ltd and Deltanvil Pte Ltd on 8 June 2022.

- (iii) What are the total losses from the group's investments in Equalbase and Deltanvil (formerly known as Pan Asia Logistics Investment Holdings Pte. Ltd. and Pan Asia Logistics Holdings Singapore Pte. Ltd. respectively) from inception to June 2022?**
- (iv) Will the board carry out a strategic review of the group's investment framework? What are the main reasons for the underperformance of the operational assets of Equalbase and Deltanvil?**
- (v) Has the board identified areas of improvement in the board approval/investment approval process?**

Company's response:

The total net cost of the Group's investments in Equalbase and Deltanvil, net of receipts from dividends and share buy-back is \$45.9 million which is lower than the net book value at the point of disposal of \$66.9 million, this is due to the share of profits of associates recognised throughout the years of investment. As the selling price of \$51.4 million of the investments is lower than the net book value, hence a loss of disposal was recognised. Notwithstanding the loss on disposal, the selling price is still higher than the net cost of investments and the valuation of the investments.

Although these investment are generating profits, these profits are not translated into cash flows to the Group. Hence the Board took a decision to divest the investments back to the Founder of Equalbase and Deltanvil. More details are available in our circular for the divestment.

The Board approves all major investments and divestments and also reviews the Group's existing investments from time to time.

In FY2017, and after the capital reorganisation, the group's accumulated profit of \$46.85 million turned into an accumulated loss position of \$(19.52) million as at 30 June 2017. Since then, accumulated losses have increased to \$(33.60) million as at 30 June 2021 and to \$(54.66) million as at 30 June 2022. Between FY2017 and FY2022, the group's accumulated losses have increased by \$(35.14) million.

- (vi) Has the board evaluated the track record of management in creating long term value for shareholders? If so, is the board satisfied with the performance of management?**

Company's response:

Prior to the capital reorganization, the Group required substantial cash injection to finance its operations, since then, the Group has been able to finance its own

operations without additional capital injection or loans from the shareholders or financial institutions. The increased accumulated losses is mainly due to fair value losses on its investment properties due to shortening leases inherent in the properties owned by the Company and the situation of the global economy. The Board after taking into account the challenging external factors and circumstance of the Group have satisfied itself that management's performance has been satisfactory.

As at 30 June 2022, the company' current liabilities exceeded its current assets by \$(32,762,000) and is in capital deficiency of \$(28,450,000).

(vii) Can management confirm that the bulk of the proceeds from the disposal of the two investments (amounting to \$51.4 million) has been used to repay the loans from the controlling shareholder (amounting to \$40.5 million)? Did the board consider it prudent to retain the sale proceeds to strengthen its liquidity/financial position?

Company's response:

As explained in the Company's announcement of the circular to shareholders on 19 May 2022, the Group's interest in Equalbase and Deltanvil are secured against the loans from the controlling shareholder, similar to any other financing, if a secured asset is sold, the monies is required to be used to repay the underlying loans.

Q2. The group's investment properties are recognised as Level 3 fair value measurement amounting to \$120.5 million as at 30 June 2022. The valuation techniques and the inputs to determine the fair value measurement of the group's investment properties are shown on page 85 of the annual report.

- (i) What criteria did the audit committee (AC)/board use in shortlisting and selecting the independent valuer?**
- (ii) In particular, can the board help shareholders understand the qualifications and the experience of the independent valuer, United Valuers Pte. Ltd.?**

As an example, the assumed rent for The Herencia is \$3.48 per square foot per month and the assumed value of Ace@Buroh is \$126-\$319 per square foot.

Based on public searches, the asking rent for The Herencia is as low as \$1.54 per square foot per month and the asking prices of Ace@Buroh range from \$152 to \$288 per square foot. The valuation of investment properties has been identified as a key audit matter (KAM). In the KAM, it was noted that the valuation of the investment properties involved significant estimation by management in determining the underlying key assumptions made in the valuation as well as the valuation methodologies applicable. Inaccurate management's estimates made in the valuation assessment could result in a significant impact on the carrying amount of the investment properties at the end of reporting period and the fair value changes in the profit or loss for the year ended 30 June 2022.

- (iii) **Can the AC help shareholders understand their involvement in the valuation of the investment properties?**
- (iv) **Given that the listings on property websites are showing lower rental rates/sale prices, is there a significant risk that the carrying value of the group's investment properties are overstated?**
- (v) **Separately, what is the progress made by the company/board in evaluating the bids received for 12 Tai Seng Link?**

Company's response:

The valuer is selected based on guidelines issued by SGX. The valuer has more than five years' of relevant practical experience in valuing properties in similar industry, and is a member of Singapore Institute of Surveyors and Valuers. The valuer is also independent of the Group. It is natural for the valuation of investment properties to be included as a key audit matter due to significant estimations involved and the Group having a significant portfolio of investment properties.

The estimates used are based on the actual average rental for The Herencia while that of Ace@Buroh is based on actual sales data in the development, hence valuations of the investment properties are clearly not overstated. Public searches are not fully reliable comparisons as they do not match actual rental or sales data of the properties.

A decision on the award of the public tender of 12 Tai Seng Link will be made after the Board has evaluated the bids received and the Board will update shareholders on the results of the Public Tender in due course.

Q3. At the annual general meeting scheduled to be held on 26 October 2022, the company is proposing to re-elect Mr Lim Eng Hoe, a director who is retiring by rotation pursuant to Bye-Law 104 of the company's Bye-Laws. Mr Lim Eng Hoe was first appointed on 31 October 2013. As such, Mr Lim will be seeking shareholders' two-tier approval for his continued appointment as independent director. The nominating committee (NC) has considered various factors in determining the independence of Mr Lim Eng Hoe (as disclosed on pages 32 and 33).

- (i) **Has the board/nominating committee (NC) deliberated on the guidance by SGX RegCo on the selective use of the two-tier rule to promote board renewal?**
- (ii) **Will the continued appointment of long-tenured director(s) impede/delay the progressive renewal of the board? Are there any challenges faced by the board in identifying and onboarding of new board members?**

In the corporate governance report, the NC has stated that it will tap on the resources of the directors' personal contacts and recommendations of potential candidates.

- (iii) **How does the use of personal contacts help the board to achieve its board diversity policy?**

(iv) Will the NC be using a third- party search firm and/or professional body to cast its net wider for potential candidates?

Company's response:

The board and the Nominating Committee ("NC") had deliberated on the guidance by SGX RegCo on the selective use of the two-tier rule. In addition, the NC had conducted a rigorous review on the independence of the Independent Directors and noted that the Independent Directors have engaged in constructive discussions, demonstrated objectivity and exercised independent business judgement on matters that come before the Board and Board Committees in a manner that is in the best interest of the Company. Therefore, the NC, with the concurrence of the Board, were satisfied and unanimously agreed and confirmed that the Independent Directors, despite having served on the Board for more than 9 years, is considered independent.

Additionally, as disclosed in pages 32 and 33 of the annual report, the Board and the NC had also taken into consideration the following factors:

- I. There was a reverse takeover of Sinobest Technology Holdings Ltd. in year 2013;
- II. There was a change of management and controlling shareholder in year 2016;
- III. There was a change of the composition of the Board in year 2016;
- IV. The considerable knowledge and experience of the industry and business environment contributed by the Independent Director to the Company;
- V. The attendance, preparedness, participation and contribution in the meetings of the Board and Board Committees;
- VI. Provision of reasonable checks and balances for the Management;
- VII. Mr Lim has devoted adequate attention and sufficient time to the affairs of the Group; and
- VIII. Mr Lim is able to act independently and provide overall guidance to the Management and acts as safeguard for the protection of the Company's assets and shareholders' interest.

In view of the above, the NC and the Board recommended Mr Lim Eng Hoe to seek for the two-tier voting for his continued appointment as an Independent Director of the Company at the forthcoming Annual General Meeting.

The Board do not think the continued appointment of long-tenured director(s) will impede/delay the progressive renewal of the board. Currently, the Board comprises Directors who have the appropriate balance and diversity of skills, expertise and experience, knowledge of the industries the Group does business in and collectively possess the necessary core competencies for effective functioning and informed decision-making. The Board regularly examines its size and if new perspective is required, the NC will recommend the Board to consider the appointment of new Director(s) that has/have the required skillset, expertise, experience and knowledge as and when it deems necessary. The NC will tap on the resources of the Directors' personal contacts and recommendations of potential candidates for the selection of new Director(s). The Board is of the opinion that it would be most effective to draw on the appropriate core competencies and diversity of experience and perspective from the current Board while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed necessary.

BY ORDER OF THE BOARD

LOCK WAI HAN
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER
21 October 2022