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Issuer: KSH Holdings Limited

Stock code: ER0

Meeting details:

Date: 30 July 2021

Time: 9.30 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.

Q1. As noted in the message from the executive chairman and managing director, despite the COVID-19 pandemic, the group achieved a credible set of results. The construction order book stood at \$620.0 million as at 31 March 2021 and the attributable share of progress billings to be recognised from the development projects was \$416.0 million.

Loss attributable to owners of the company was \$(3.8) million for FY2021, mainly due to adjustments relating to valuation of hotel properties and investment properties and a loss in the construction businesses due to COVID-19.

The construction segment remains the group's largest revenue driver, accounting for 97.4% of total revenue. The group also won a design and build contract valued at \$171.8 million for a proposed Biomedical Sciences construction project in Singapore.

- (i) **What is the impact on the operating “capacity” in the group’s construction segment given the manpower constraints and the safe distancing measures?**
- (ii) **What are structural/permanent changes in the construction industry as a result of the pandemic? How has the group adapted to the new operating environment?**
- (iii) **How is the group leveraging technology to mitigate manpower shortages and to increase productivity?**

In the financial and operations review, the group stated that it “will continue to aggressively tender for public and private projects” and “prudently seek opportunities in Singapore while deepening existing footprint in overseas market”.

- (iv) **In bidding for new projects, how does management factor in the additional manpower costs? Are contracts also written to protect the group from COVID-19 related delays that are out of the group’s control?**
- (v) **Can management help shareholders understand its confidence to be aggressive in bidding for construction projects? What is the group’s advantage during this time of uncertainty? Are the projected margins commensurate with the level of risks taken in the construction business?**
- (vi) In May 2021, the government introduced an additional legislative relief under Part 10A of the COVID-19 (Temporary Measures) Act 2020 (“COTMA”) to ensure that all the stakeholders along the value chain step up to co-share the increased costs. **What is the impact of COTMA on the group’s financials?**

Q2. In the property development segment, the group's four ongoing property developments – Affinity @Serangoon, Riverfront Residences, Park Colonial and Rezi 24 – have sold more than 3,180 out of 3,450 units as at 31 March 2021.

The attributable share of progress billings to be recognised as sales revenue stood at more than \$416.0 million. This will be progressively recognised by the associates and joint ventures under the group and it is expected to contribute to the group's results after FY2021.

- (i) **Can management provide shareholders with greater clarity on its strategy and plans to acquire new land bank? What are the projects/sites (in terms of land size, market positioning, location etc) that would be most attractive to the group?**
- (ii) **Does the group have the expertise and the financial resources to carry out property development on its own?**
- (iii) **What is the contribution by management to the associates?**
- (iv) **In addition, can management help shareholders better understand the ground sentiments in Gaobeidian?** The group has stated that its PRC residential development project, Sino-Singapore Health City (中新健康城) in Gaobeidian, has sold more than 530 units to date. **What was the average selling price? Has the construction been delayed due to COVID-19? What is the expected completion date for Phase 1 of Stage 1 of the project?**
- (v) The group had consistently generated double digit return on equity (ROE) up and until 8.7% in FY2018. From FY2015 to FY2018, the return on equity was 15.2% (FY2015), 19.6%, 12.1% and 8.7% (FY2018; adjusted following the adoption of Singapore Financial Reporting Standards (International)). Since then, ROE has declined and stayed depressed in recent years (2.4%, 4.4% and (1.2)%) whilst shareholders' equity remained above \$320 million. **Is the group exploring ways to improve its returns? If so, how?**

Q3. The board comprises seven directors, of whom four are executive directors and three are independent directors (shown below):

Mr Choo Chee Onn	(Executive Chairman and Managing Director)
Mr Kwok Ngat Khow	(Executive Director)
Mr Tok Cheng Hoe	(Executive Director)
Mr Lim Kee Seng	(Executive Director)
Mr Lim Yeow Hua @ Lim You Qin	(Lead Independent Director)
Mr Khua Kian Kheng Ivan	(Independent Director)
Mr Ko Chuan Aun	(Independent Director)

(Source: company annual report)

In the statement of corporate governance, the company stated that it is committed to achieving a high standard of corporate governance in line with the principles set out in the Code of Corporate Governance 2018 (“the Code”). It recognises that good corporate governance establishes and maintains a legal and ethical environment, which helps to preserve and enhance the interests of all shareholders (page 25).

However, the company has deviated from several provisions including:

- Provision 2.2
- Provision 2.3
- Provision 3.1
- Provision 8.1
- Provision 8.3
- Provision 11.6
- Provision 12.2

In particular, Provision 2.2 of the Code of Corporate Governance 2018 provides that where the chairman is not an independent director, the independent directors should make up a majority of the board and Provision 2.3 states that non-executive directors should make up a majority of the board.

The company has simply stated that it maintains a satisfactory independent element on the board as at least one-third of the board comprises independent directors and that the company believes that the board is able to exercise independent judgment on corporate affairs (page 31).

- (i) **Can the company help shareholders reconcile its commitment to achieving a high standard of corporate governance and the numerous deviations from the Code, especially in its board composition?**

Listing Rule 710 of the SGX Listing Manual also requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, ***the reason(s) for the variation***, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle [emphasis added].

- (ii) **Can the board elaborate further on the underlying reasons for the deviations from Provisions 2.2 and 2.3?**
- (iii) **What is the search and nomination process for directors, especially independent directors? Will the board/nominating committee (NC) be using a professional search firm to allow the board to cast its net wider for suitable potential candidates?**
- (iv) **Has the NC reviewed the group's succession plans for directors and key management personnel?** Details of the directors, including their age, date of initial appointment and present and past directorships can be found on pages 34 and 35 of the annual report.
- (v) **What are the plans for the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)?** Mr Khua Kian Kheng who was first appointed to the board in 2006 is seeking a two-tier vote on his continued appointment as independent director at the AGM. In fact, all the directors were appointed in 2006 except for Mr Ko Chuan Aun who was appointed in August 2013.
- (vi) **As the lead independent director, would Mr Lim Yeow Hua @ Lim You Qin be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**
- (vii) **Given that Mr Lim Yeow Hua and Mr Ko Chuan Aun sit on the boards of Oxley Holdings Limited and Lian Beng Group Limited respectively, would the directors always be put in a position of conflict? How effective are the directors at discharging their fiduciary duties?**
- (viii) **How is the interest of the company served by having directors sit on other listed companies with the same core business in construction and property development?**
- (ix) **How does the company ensure that its interests are protected? For instance, what safeguards are put in place to ensure that sensitive commercial information, such as participation in land tenders, private treaty opportunities, is well protected?**

- (x) Even if a conflicted director recuse himself from certain sensitive discussion either in the company or on the board of the other company, the act of recusing oneself would still provide competitive information. **How does the company mitigate such risks?**
- (xi) **How did the NC assess their suitability to be directors?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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](#)

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)