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Issuer: KSH Holdings Limited

Stock code: ER0

Meeting details:

Date: 28 July 2023

Time: 9.30 a.m.

Venue: Furama City Centre Hotel, 60 Eu Tong Sen Street, Singapore 059804, Ballroom 1, Level 5

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Order book:** The construction order book stands at \$240 million as at 31 March 2023. The order book amounts each year, as at March/April and published in the annual report, were \$542 million (2018), \$486 million (2019), \$550 million (2020), \$620 million (2021), \$530 million (2022) and \$240 million (2023). **Can management provide insights into the reasons for the decrease in the order book? Are there any operational challenges that the construction division is facing as a result of the pandemic? Will the group be involved in the construction of the four redevelopment projects that are currently in progress, namely Peace Centre/Peace Mansion, Euro-Asia Apartments, Park View Mansion, and Bagnall Court?**
- (ii) **Land bank:** What is management's view of the property sector in Singapore and what is management's strategy for replenishing the group's land bank considering the current market conditions (including high interest rates) and cooling measures? Are there any specific criteria or focus areas for acquiring new land for development? How does management assess the feasibility and profitability of potential land acquisitions?
- (iii) **Singapore Sino Health City (中新健康城-中新悦朗) ("SSHC-ZXYL"):** Can management help shareholders better understand how it is navigating the situation in China given that the real estate sector is showing signs of cracks? Are the settlement and handover processes for the completed units in Phase 1 progressing smoothly? What is management's strategy to sell out the remaining 39.1% or approximately 500 units in Phases 1 and 2 of the project?

Q2. The indebtedness of the group has significantly increased since 2017 when the group was in a net cash position. As at 31 March 2023, the group has net debt of \$193.8 million and equity of \$338.2 million. The gearing ratio, as defined by net debt divided by total capital plus net debt, stood at 37%.

	Note	Group	
		2023 \$'000	2022 \$'000
Loans and borrowings		205,629	119,887
Trade and other payables (excluding sales tax payable and advance payments)		108,981	89,455
Less: Cash and bank balances and fixed deposits	17	(120,766)	(143,069)
Net debt		193,844	66,273
Equity attributable to the owners of the Company		338,161	336,322
Less: Statutory reserve fund	25	(1,556)	(1,556)
General reserve fund	25	(155)	(155)
Total capital		336,450	334,611
Capital and net debt		530,294	400,884
Gearing ratio		37%	17%

(Compiled from company annual reports)

The trend of the group's gearing is shown below:

FY2017 – net cash

FY2018 – 26%

FY2019 – 26%

FY2020 – 21%

FY2021 – 22%

FY2022 – 17%

FY2023 – 37%

- (i) **What guidance has the board given to management with regard to the group's gearing considering the current high interest rate environment?**
- (ii) **Has the board set a limit on the group's gearing?**
- (iii) **How significant are the remaining cash flows from the three completed and sold-out developments in Singapore (Affinity @Serangoon, Riverfront Residences and Rezi 24)?**

Separately, as shown in Note 9 (page 123), the company has invested nearly \$13 million in medium-term notes (MTNs) of Oxley Holdings, which is another Singapore listed property developer. In addition, one of the board directors of the company also sits on the board of Oxley Holdings.

- (iv) **Has the board/management estimated the cost of capital? How do the investments in MTNs of another property developer align with the strategic goals of the group, considering the high interest rates and the group's already high gearing?**

- (v) In addition, it is possible that the director in question would possess material non-public information on Oxley due to his board position. **How does the board manage this potential risk of insider trading and how does the director handle the potential conflict of interest?**

Q3. At the annual general meeting scheduled to be held on 28 July 2023, Mr Lim Yeow Hua @ Lim You Qin will retire in accordance with Article 89 of the company's constitution and will be seeking his re-election.

The biography of the director can be found on page 21 of the annual report. Additional information on directors seeking re-election can be found on pages 177 to 185.

Mr Lim Yeow Hua @ Lim You Qin was appointed to the board on 18 December 2006, and also serves as the lead independent director. Mr Lim Yeow Hua @ Lim You Qin sits on the board of Oxley Holdings Limited, which is another property developer with "a diversified portfolio including property development, property investment and project management¹".

Questions regard the potential conflicts of interest were previously asked².

On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced that it will limit the tenure of independent directors (IDs) serving on the boards of listed issuers to nine years³. This stemmed from recommendations by the Corporate Governance Advisory Committee (CGAC). There was broad market support for this change during the public consultation carried out by SGX RegCo.

Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.

- (i) **Would the proposed re-election of Mr Lim Yeow Hua @ Lim You Qin delay the board renewal process? Would the director reconsider his re-election to facilitate board renewal?**
- (ii) **How did the nominating committee (NC) assess the contributions and performance of the director and recommend his re-election?**
- (iii) **What is the search and nomination process for new directors, especially independent directors?**
- (iv) All three independent directors have served on the board for more than nine years. **What progress has the NC made in identifying potential new directors to join the board?**

¹ <https://www.oxley.com.sg/about-oxley/who-we-are/>

² https://sias.org.sg/media/qareport/Q&As%20on%20AR_KSH%20Holdings%20Limited%202021.pdf

³ <https://www.sgxgroup.com/media-centre/20230111-sgx-regco-caps-independent-directors-tenure-enhances-remuneration>



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