



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Koh Brothers Group Limited

Stock code: K75

Meeting details:

Date: 26 April 2022

Time: 3.00 p.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. In the real estate segment, the group is a niche boutique developer with ongoing projects, such as Van Holland (a luxurious freehold development at Holland Village) and Hyll on Holland (20:80 partnership with Far East Consortium).

As noted in the statement by the executive chairman and the managing director & Group CEO, the latest round of property cooling measures have impacted the additional buyer's stamp duty for both individuals and developers, and further tightened the total debt servicing ratio and loan-to-value ratio for financing purposes.

- (i) **Has management evaluated the sale progress of the main development project, Van Holland? Is it satisfied with the sales progress?**
- (ii) **Please provide shareholders with an overview of its major projects, e.g. Van Holland and Hyll on Holland, and include key details such as number of units, sales progress etc.** It is common practice for listed real estate developers on SGX to update shareholders and investors on the sale progress regularly.
- (iii) **What is the impact of the additional cooling measures on the level of interest on the group's properties?**
- (iv) **Has the board considered the group's real estate development strategy? What emphasis has the board put on management to achieve reasonably good sales figures so as to de-risk the project and to crystallise the developer's margin?** In this case, based on public information, about 26 out of the 69 units have been sold since the launch, and about 50% of the sales (13 units) in the past 12 months.
- (v) **In addition, can management provide shareholders with an update on the returns of the now-completed Nonhyeon I'Park project? Were the returns in line with the projections used in the board approval process? Is the group looking for more development opportunities in South Korea?**

Q2. As noted in Note 34(d) (page 119 – Financial risk management: Capital risk), the group has net debt of \$251.1 million and shareholders' funds of \$287.1 million. The gearing ratio as at 31 December 2021 stands at 0.87 times, a slight improvement from 0.90 times a year ago.

The group has once again increased its "investment securities" exposure to over \$13.4 million as at 31 December 2021, up from \$4.3 million a year ago (Note 13 Investment securities; pages 84 to 86).

The "acquisition" was due to the "conversion of notes into quoted equity securities", amounting to \$13.1 million. The group recognised a \$(4.2) million fair value loss in other

comprehensive income. This relates to the group's financial assets at FVOCI which are equity securities in the USA.

- (i) **Can the audit and risk committee (ARC) help shareholders understand if it has approved the "investment" into equity-linked notes? Are these speculative in nature? Is the "investment" in these derivative products aligned with the group's strategic objectives?**
- (ii) **What is the level of oversight by the ARC and are there robust risk management framework in place to prevent speculation?**
- (iii) **Would the ARC be leading an independent review to see how it could improve its working capital (and cash) management and declare a special dividend/capital reduction to right size its balance sheet and to return excess capital to all shareholders?**

Q3. The board is made up of 13 directors comprising 5 executive directors, 1 non-executive and non-independent director, and 7 independent directors. The group has total and net assets of \$829 million and \$343 million respectively.

For reference, another listed real estate company with total assets of \$23.9 billion has a 9-member board, 6 of whom are independent directors. A financial institution with total equity of over \$57 billion has 10 directors on their board, 6 of whom are independent directors.

- (i) **Can the board/nominating committee help shareholders understand if it had reviewed the size of the board? What was the process and what were the key findings?**
- (ii) **How did it assess if the board size is appropriate to facilitate effective decision making given the scope, nature and requirements of the group's business and operations?**

At the forthcoming AGM, the following directors will be offering themselves for re-election:

Koh Tiat Meng
Koh Keng Siang
Koh Keng Hiong
Lee Sok Khian John
Ong Seet Joon
Ong Kheng Chye
Goh Mou Lih

- (iii) **Can the NC elaborate further on the process for the re-election of incumbent directors (Principle 4 – Board membership; Code of corporate governance 2018)? In particular, did the NC assess the performance of each director, consider the current needs of the board and make its recommendation for the re-appointment of the abovementioned directors?**
- (iv) **Would the directors seeking their re-election help shareholders better understand their (individual) contribution to the group and their effectiveness as director?**

^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](http://www.sias.org.sg)

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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>)