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Issuer: OKH Global Ltd.

Stock code: S3N

Meeting details:

Date: 25 Oct 2024

Time: 2.00 p.m.

Venue: Furama City Centre, Ballroom 1, Level 5, 60 Eu Tong Sen Street, Singapore 059804
on Friday, 25 October 2024

Q1. The group holds 12 Tai Seng Link as a non-current asset held for sale with a carrying amount of \$34.0 million as at 30 June 2024. A \$(1.0) million fair value loss was recognised during the year. The valuation of 12 Tai Seng Link was estimated to be \$291 per square foot using a market comparison valuation technique as at 30 June 2024 (FY2023: \$300 per square foot (estimated); FY2022: \$326 per square foot).

The valuation of the asset classified as held for sale is a key audit matter identified by the independent auditor in the independent auditor's report for the financial year ended 30 June 2024.

- (i) **Can management help shareholders better understand the current operating status of 12 Tai Seng Link? Other than 9 units (or about 30%) leased to Chip Eng Seng Construction Pte. Ltd. and Eura Construction Supply Pte. Ltd. for \$1.83 million in FY2024, are the other units leased out to third parties to generate rental income for the benefit of all shareholders? If not, why?**

In 2022, the group had launched a public tender but the successful purchaser terminated the tender contract on 9 August 2023 as it had not been able to obtain approval from the Development Control and Licensing Department of the National Environment Agency ("NEA") by 9 August 2023.

- (ii) **Did the independent directors review the terms of the contract with the prospective buyer to ensure risk mitigation?**
- (iii) **What are the group's current plans regarding 12 Tai Seng Link given that the property is still recognised as a non-current asset held for sale? What actions have been taken since August 2023 to identify a suitable buyer and maximize the asset's value for shareholders?**
- (iv) **Did the company proactively submit an application to the NEA for a change in use/new proposed use to enhance the value of 12 Tai Seng Link after the contract was terminated?**
- (v) **Will the board consider engaging a professional real estate firm to market 12 Tai Seng Link given that the tender managed by the company's sale team only attracted a single bid from an interested party that was below market valuation?**

Q2. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Construction services: What are the construction services offered by the group?** In FY2023 and FY2024, the group recognised revenue \$49,000 and \$97,000 respectively from the construction services segment. The accumulated losses over the past two years amounted to \$(0.3) million. **Does the group possess the necessary scale to operate effectively in this segment? If not, is there a plan to close down the construction services division?**
- (ii) **Carrying value of investment properties:** The group recognised fair value gains of investment properties amounting to \$3.49 million in FY2024, reversing from fair value losses of \$(2.14) million in FY2023. **For the benefit of shareholders, can management provide a breakdown of the carrying value of units at Loyang Enterprise and Ace @ Buroh? Were the fair value gains solely attributable to the carrying value of the units at Loyang Enterprise?**
- (iii) **Loyang Enterprise:** The group sold seven units at Loyang Enterprise, totalling a strata area of 30,000 square feet, at an average price below \$200 per square foot. **How does the audit committee reconcile this with the reported fair value inputs? Can the audit committee help shareholders better understand if there is risk that the units may be carried at valuations that are not supported by market transactions since the significant unobservable input could be as high as \$350 per square foot - 75% above the average sale price achieved in 2024? (See Note 10 below)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

10. INVESTMENT PROPERTIES (CONTINUED)

Fair value measurement of the Group's investment properties (Continued)

The following table gives information about how the fair values of these investment properties and non-current asset classified as held for sale are determined (in particular, the valuation techniques and inputs used).

Location and name of properties	Type of properties	Valuation technique(s)	Significant unobservable input(s)	Range
<u>Investment properties</u>				
56 Loyang Way Singapore 508775 ^(a)	Industrial leasehold property	Market comparison	Price per square foot ⁽¹⁾	S\$185 – S\$350 (2023: S\$175 – S\$330)
2 Buroh Crescent Singapore 627546 ^(b)	Industrial leasehold property	Market comparison	Price per square foot ⁽¹⁾	S\$145 – S\$355 (2023: S\$155 – S\$319)
<u>Non-current asset classified as held for sale</u>				
12 Tai Seng Link Singapore 534233	Industrial leasehold property	Market comparison	Price per square foot ⁽¹⁾	S\$291

- (iv) **Ace @ Buroh: What challenges is the group facing in selling the remaining units of the nine-story B2 ramp-up industrial building? Given that the property has a 30-year lease starting from 2013 with 18 years remaining, how does the lease term impact demand and pricing strategies?**

Q3. 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 years¹. 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) **Has the nominating committee (NC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**
- (ii) **Can the NC elaborate further on the board evaluation process? What were the key findings from the most recent evaluation?**

In the company's statement on corporate governance, the directors and management stated its commitment to uphold good corporate governance. Nevertheless, the company is proposing to redesignate Mr Ong Soon Teik and Mr Lim Eng Hoe as non-independent non-executive directors despite SGX's new rules to limit the tenure of independent directors to 9 years. Mr Ong Soon Teik and Mr Lim Eng Hoe were each first appointed on 29 March 2010 and 31 October 2013 respectively.

The NC comprises Ms Ng Kheng Choo as chairman, Mr Ong Soon Teik and Mr Lim Eng Hoe. As noted in the biography of Ms Ng Kheng Choo served as the chief financial officer and subsequently, as chief operating officer, of SingHaiyi Group Ltd in the past.

- (iii) **Can the NC elaborate further on the rationale to request that the two long tenured directors continue to serve as non-independent non-executive directors? How does this decision align with best practices in corporate governance?**
- (iv) **Given that the company has stated that Mr Ong Soon Teik and Mr Lim Eng Hoe abstained from the NC's discussion on the redesignation, does it mean that the recommendation by the NC was in fact made by a sole NC member, Ms Ng Kheng Choo?**
- (v) **What has been the total shareholder return over the 10 and 14 years? Can the long-tenured directors who are seeking re-election help shareholders better understand their contributions to the board's effectiveness? How will they contribute to the board as non-independent directors, if re-elected? How will they be able to offer fresh perspectives to the board?**

¹ <https://www.sgxgroup.com/media-centre/20230111-sgx-regco-caps-independent-directors-tenure-enhances-remuneration>

- (vi) **What is the progress made by the board in the search and nomination process for new independent directors? Are there challenges in onboarding new independent directors as the new rules were announced in January 2023 and the company has had a transition period of more than 20 months?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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