

OKP HOLDINGS LIMITED

(Incorporated in Singapore with Registration No. 200201165G)

RESPONSE TO QUESTIONS FROM SIAS

The Board of Directors of OKP Holdings Limited (the “**Company**” or “**OKP**”, and together with its subsidiaries, the “**Group**”) refers to the questions received from the Securities Investors Association (Singapore) (“**SIAS**”) ahead of the Company’s Annual General Meeting to be held on 26 April 2018 at 10.00 a.m. at 30 Tagore Lane, Singapore 787484. The Company wishes to provide its response below.

Q1. In the Chairman’s Statement (pages 4 to 7 of the annual report), a detailed performance review of the year was given, together with the financial highlights. On pages 8 to 11, the Group Managing Director, in his review, discussed specific details of the group’s projects, including the group’s core business of construction projects, maintenance projects and property development/investments.

The first mention of the worksite incident that happened on 14 July 2017 at the Tampines Expressway to Pan-Island Expressway exit was on page 43 in the Operating and Financial Review.

a) Would it be better if senior management, especially the Group Chairman and Group Managing Director, address the issue of workplace safety and the worksite incident directly and with candour so that shareholders are assured that top management is dealing with the issue of workplace safety and is committed to achieving the highest safety standards?

Company’s response

The Group’s senior management is certainly addressing known issues arising from the worksite incident as a matter of priority, even though the results of the investigations have not been released. The Ministry of Manpower (“**MOM**”) has submitted the investigation findings to the Attorney General Chambers (“**AGC**”) and is seeking AGC’s directions on the prosecutorial decision to be taken¹ and as such, we are unable to comment on the cause of the collapse.

Following the incident, OKP was placed under the Business Under Surveillance Programme. Through this programme, the Group has been working closely with MOM to improve its workplace safety and health management system. We have since put in place further initiatives to further improve our workplace safety practices and have conducted regular checks to ensure our processes adhere to industry standards. These initiatives include training programmes related to working at heights, traffic control as well as conducting risk assessments on our workers, supervisors and managers.

We also engage external auditors and consultants to review existing control systems and give recommendations.

We firmly believe that OKP will emerge stronger after this incident.

¹ Road-level work resumes at collapsed Changi viaduct site, Straits Times, 22 March 2018

- b) **Can management update shareholders on how the group's safety awareness and training has been further improved since the worksite incident?**

Company's response

Please refer to the above reply under 1(a).

- c) **Has the board assessed how the worksite incident will affect the company's ability to win new contracts?**

Company's response

The board believes that the worksite incident would adversely affect the Group to a certain extent. However, the board also believes that there are lessons to be learnt with any incident and the Group will grow stronger with the lessons learnt. After the incident, the Group has secured a contract worth \$10.3 million in August 2017 to construct and connect sewer pipelines, manholes and advanced sewer connections in the Lim Chu Kang Road area, as well as a contract worth \$13.8 million in January 2018 for improvement to roadside drains in Yishun Avenue 1/6, Jalan Kembangan, Pasir Ris Estate and Hai Sing Estate areas.

Looking ahead, following the outcome of the investigations, we hope to move on and continue to focus on delivering our projects and strengthening our order book.

Backed by our track record of more than 50 years, coupled with our strong technical capabilities and tightened workplace safety practices, we believe that we will be able to seize opportunities to add to our order book.

- d) **The construction of viaduct from TPE to PIE (Westbound) and Upper Changi Road East has been suspended to facilitate the authority's investigation. The group has recognised additional costs of \$3.2 million (page 129). Can the audit committee help shareholders understand how the assessment was made and if it is likely that more additional costs will be incurred as the suspension drags on further?**

Company's response

Approximately S\$1 million was incurred for medical and compensation fees for the injured workers and costs related to the incident, while the remaining amount was set aside for foreseeable reconstruction of certain sections of the viaduct project and has yet to be incurred.

- Q2. Principle 2 of the 2012 Code of Corporate Governance (Code) states that there should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.**

In addition, Guideline 2.2 calls for independent directors to make up at least half of the board in companies where the chairman is not independent, or where the chairman and the CEO are immediate family members.

In the company's Corporate Governance Report, it was disclosed, on page 91, that:

"The Group Chairman, Mr Or Kim Peow, and the Group Managing Director, Mr Or Toh Wat, are immediate family members as well as part of the Management. However, the Board is of the opinion that based on the Group's current size and operations, it is not necessary nor cost-effective to have independent directors make up at least half of the Board. The

NC is of the view that no individual or small group of individuals dominate the Board's decision-making".

- a) Would the board, and especially the nominating committee (NC), explain how it has assessed that it is "not necessary" to have independent directors make up at least half of the board as recommended by the Code?**

Company's response

The Board together with the NC are of the view that with Independent Directors constituting one-third of the Board, the independent element on the Board is sufficiently strong based on the Group's current size and operations. It would not be cost-effective to have independent directors make up at least half of the board.

Moreover, the Board has appointed Dr Chen Seow Phun, John as Lead Independent Director ("LID") to lead and coordinate the meetings and activities of the Independent Directors. The Independent Directors, led by the LID, met or communicated amongst themselves without the presence of the other Directors twice during FY2017, and the LID provides any feedback to the Group Chairman after such meetings.

- b) How did the board and the NC determine the additional value that a board with stronger independence element can create?**

Company's response

With the current number of independent directors we have on our Board, the Management has benefited from their external, diverse and objective perspective of issues that are brought before the Board.

The Management interacts and works with the independent directors through a constructive exchange of ideas and views to shape the strategic process. The Board has observed that each of the independent directors is able to exercise objective judgement on commercial and corporate governance matters independently.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

- c) As the three independent directors receive fees of \$180,000, assuming that three more independent directors will also receive fees of \$180,000, does the board and the NC consider that the extra \$180,000 fees would be prohibitively high, unnecessary and not cost-effective for a company with a market capitalisation of more than \$100 million?**

Company's response

The extra \$180,000 is fees is not prohibitively high. However, the Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. As such, it would not be in the Company's interest to incur additional directors' fees.

- Q3. The board has disclosed that, "[a]fter due consideration and careful assessment, the [nominating committee (NC)] and the Board are of the view that Dr Chen Seow Phun, John, Mr Nirumalan s/o V Kanapathi Pillai and Mr Tan Boen Eng continue to be considered independent, notwithstanding that they have served on the Board for more than nine years.**

Dr Chen Seow Phun, John and Mr Tan Boen Eng were each first appointed to the board on 25 June 2002 while Mr Nirumalan s/o V Kanapathi Pillai was first appointed on 1 June 2005. As such, Dr Chen and Mr Tan have each served on the board for approximately 16 years while Mr Nirumalan has served on the board for approximately 13 years.

The NC consists of Mr Tan Boen Eng (as chairman) and Dr Chen Seow Phun, John and Mr Nirumalan s/o V Kanapathi Pillai, all three long tenured directors who are subject to particularly rigorous review of their independence.

a) Can the NC explain how it had carried out the review of the independence of the directors when all three members of the NC are subject to the same review?

Company's response

The independence of each Director is reviewed by the NC on an annual basis. Annually, each Independent Director is required to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code. The NC adopts the Code's definition of what constitutes an "independent" Director in its review.

The NC takes into account, among other things, whether a Director has business relationships with the Company, its related companies, its 10% shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

The independence of each Director is assessed individually by the NC and each member of the NC abstains when his own independence is assessed.

b) Was any director involved in the review of his own independence?

Company's response

None of the directors was involved in the review of his own independence.

c) How effective was the NC in discharging its duties?

Company's response

The key responsibilities of the NC are as follows:

- ✓ To make recommendations to the Board on relevant matters relating to the review of board succession plans for Directors;
- ✓ To review nominations for the appointment and re-appointment of Directors to the Board and the various Board Committees;
- ✓ To decide on how the Board's performance may be evaluated, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director;
- ✓ To decide, where a Director has multiple board representations, whether the Director is able to and has been adequately carrying out his duties as Director of the Company;
- ✓ To ensure that all Directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years; and
- ✓ To determine on an annual basis whether or not a Director is independent.

The Board is of the view that the NC has fulfilled its responsibilities.

- d) As the board has taken into account the need for the progressive refreshing of the board, please help shareholders understand the board's near-term plans to progressively refresh the board so that there is a stable and smooth transition to a refreshed board of directors?**

Company's response

When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC will be responsible for nominating the new Director. The NC has put in place a process for the selection of new Directors and re-election of incumbent Directors to increase transparency of the nominating process in identifying and evaluating nominees.

By Order of the Board

Or Toh Wat
Group Managing Director
25 April 2018