

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**”) on 10 April 2023 ahead of the Company’s Annual General Meeting to be held on 24 April 2023 at 11.00 a.m. The Company wishes to provide its response below.

- Q1. On 16 February 2023, the company announced that the group had secured a contract worth approximately \$95.9 million from the Land Transport Authority (“LTA”), for the maintenance of roads, road-related and commuter-related facilities along South East sector. The contract was awarded on 6 February 2023 and is expected to be completed by 1st quarter of 2026.**

Three months earlier on 9 November 2022, the company also announced that its wholly-owned subsidiary, Or Kim Peow Contractor (Private) Limited, had secured a contract worth approximately \$100.3 million from LTA, for commuter infrastructure enhancement works at new MRT stations, at island-wide locations. The contract had commenced on 28 October 2022 and is expected to be completed by 4th quarter of 2026 [emphasis added].

- (i) Can management help shareholders better understand the reasons for the delays in announcing major contract wins?**

Company’s response

For public projects secured, the Group is required to obtain clearance from its customers before making any announcements.

- (ii) Would the board be reviewing the company’s communications with shareholders and the capital market to ensure the timely disclosure of material information?**

Company’s response

The Board and the management team remain committed to ensuring timely announcements of all material information while balancing against the need to obtain clearance from the Group’s customers before announcements.

- (iii) What are the capital expenditure requirements for the group to fulfil these new major contracts?**

Company’s response

The capital expenditure is estimated to be approximately S\$3.0 million to S\$5.0 million, excluding the re-deployment of existing plant and machinery to fulfill these major contracts.

- (iv) Given the tight manpower market, does the group have the necessary manpower? How would management describe the experience and skill level of its current workforce?**

Company's response

The Group's workforce comprises project managers, civil engineers, site supervisors and general construction workers with diverse technical training and wide-ranging backgrounds who are well-equipped to handle its projects.

In addition, the Group invests in continual training and development programmes to develop skilled and capable workers.

- (v) Can management elaborate further on how it is embracing technology and innovation to improve operational efficiencies?**

Company's response

The Group taps on the use of machineries to replace human involvement in intensive work activities. It also leverages on the expertise of its staff in integrating technology and innovation in work activities safely and efficiently.

Some operational innovations include upgrading lorry cranes with stabiliser controls to reduce the likelihood of crane collapse. The Group also utilises motorised noise barriers to replace conventional manual and labour-intensive shifting of portable noise barriers. Having motorised noise barriers allows workers to shift noise barriers alongside mobile equipment such as road paving machines.

The Group also developed the idea of an automated earth control measures (ECM) control system. This involves adding controllers to the ECM plant to divert silty water automatically back to the sedimentation pond when sensors pick up silty water above predetermined levels. At the same time, an SMS will be sent to alert workers to intervene, and to identify and rectify issues if there is a need. These innovations have improved the Group's efficiency in manpower deployment and reduced incidents of silty water polluting the environment. The new innovations were implemented at worksites in FY2022.

- (vi) In addition, what is the level of training given to all personnel, both seasoned and new, concerning workplace safety?**

Company's response

The Group educates and motivates its workers at all levels, equipping them for the challenging construction environment through programmes offered by Ministry of Manpower-approved training centres.

At OKP, it is compulsory for all management employees and engineers to participate in safety courses such as the construction safety course for project managers, and risk management course. These courses equip them with the requisite knowledge of the regulatory requirements to handle the roles of risk management leaders in reducing risks at source.

As part of OKP's orientation programme, supervisors instruct new hires on the highest standards of quality, environmental, health and safety (QEHS) requirements through a health and safety induction programme. The safety team regularly updates its in-house safety training and education programme for both new and existing workers to equip them with the required knowledge.

The Group's senior management and employees also attended courses and conferences to keep abreast of the latest best practices. For example, between 13 September and 19 October 2022, seven OKP senior staff attended the QEHS Internal Auditor – ISO 45001: 2018 course so that they could confidently conduct a comprehensive internal audit on the Group's QEHS management system and recommend improvements so that the Group can comply with the ISO 45001: 2018 standard, resulting in all related parties being aligned and working together in sync.

In the second half of the year, the group experienced a negative net profit margin of (1.7)%, resulting in a modest net profit of \$164,000 for the full year, despite recognising a fair value gain of \$2.25 million. For FY2022, the loss attributable to the company's owners amounted to \$(1.02) million, compared to a profit of \$1.52 million in 2021.

The gross profit margin for the group's core operations, which include construction and maintenance, stood at 6.2% in FY2022.

(vii) To what extent can cost increases be passed on to customers?

Company's response

At the tender stage, the Group factors in potential increases in costs, including raw material cost and other human resource-related expenditure. The Group maintains a strong focus on cost control measures which are carried out at various stages of project execution to ensure that the projects are kept well within budget. Careful monitoring and quality assurance checks are also performed vigilantly to ensure that project management risks are mitigated as much as possible.

(viii) What guidance did the board give to management in terms of bidding for the contracts? Are the margins associated with the new major contracts adequate to compensate for the risks involved, considering their long-term nature of the contracts?

Company's response

The Executive Directors meet and discuss with the team on the bid price of all contracts, methods of construction, resource allocation and technology deployment, amongst others.

The Group considers the costs involved for the duration of the project and put a strong focus on cost control measures which are carried out at various stages of project execution to ensure that the projects are kept well within budget.

(ix) What specific measures will management implement to improve the group's gross and net profit margin?

Company's response

The Group will continue to focus on operational efficiencies to better manage margins. It will embrace technology and innovation, enhance and upscale its workforce, as well as boost the implementation of equipment and tools to reduce the reliance on manpower.

As part of its sustainability efforts, the Group has deployed some solar energy generators to lower carbon emission. The Group has also installed solar panel monitoring systems at project sites. This shift in energy usage towards sustainable resources can save annual energy costs.

Q2. The group has fully sold their joint venture residential project, The Essence, which was launched in March 2019. Another residential project, Phoenix Residences, was launched in November 2020 and is expected to receive its temporary occupation permit in November 2023. All 74 units in Phoenix Residences have been sold.

(i) How does management see the current property market in Singapore? Are there plans to replenish the land bank and if so, what is the strategy to do so?

Company's response

According to the URA Q4 2022 private residential property price index, prices of private residential properties increased by 0.4% in the 4th quarter of 2022, compared with the 3.8% increase in the previous quarter. This could be the effect of the cooling measures that were introduced on 30 September 2022 where the government tightened borrowing limits and imposed a 15-month wait-out period for private homeowners seeking to buy a non-subsidised HDB flat in the resale market.

Faced with inflationary pressures, cooling measures, increasing interest rates and a bleak economic outlook, prospective buyers have turned more cautious. The fall in real disposable income levels is expected to cause a slowdown in property transaction volumes.

The Group will continue to prudently look for good land plots that are strategically located in close proximity to amenities and transportation nodes in Singapore and overseas.

The Group will continue to explore strategic partnerships with potential partners to ensure that it will continue to deliver value to stakeholders.

The group purchased a freehold office complex in East Perth, Western Australia in April 2018, which is their first overseas property acquisition. The property was purchased for A\$43.5 million and is fully occupied by government and corporate tenants.

The group owns a portfolio of investment properties, including a freehold three-storey shophouse at 35 Kreta Ayer Road, and freehold two-storey conservation shophouses at 69 and 71 Kampong Bahru Road through its subsidiary, Raffles Prestige Capital Pte. Ltd.

Rental income was \$6.27 million in 2022 as compared to \$7.07 million, a decrease of 11.3%.

(ii) Can management disclose the occupancy rates of the investment properties?

Company's response

The average occupancy rate of the investment properties was approximately 83% as at 31 December 2022.

The decrease in rental income from investment properties was due to the foreign exchange translation loss of rental income generated from the property at 6-8 Bennett Street in East Perth, Western Australia.

(iii) What was the impact of AUD:SGD exchange rate on the rental income?

Company's response

The exchange rate impact on rental income was approximately \$0.6 million for FY2022.

(iv) What is management's view on the AUD:SGD exchange rate?

Company's response

Despite the volatility of the Australian dollar in FY2022, the management expects to see some stability in the AUD:SGD exchange rate for the next 6 months to a year.

(v) What is the level of natural hedging and how is management managing the group's currency risks?

Company's response

The Group has 100% natural hedging as the Group's exposure to foreign exchange rate risk is kept at a minimal level, given that its costs and revenues are predominantly denominated in Singapore Dollar ("SGD") and Australian Dollar ("AUD").

Q3. As disclosed in Note 37 (page 188; Events occurring after reporting date), on 6 March 2023, the company announced that the group was successful in arbitration against CPG Consultants Pte Ltd ("CPG"), the design consultant hired by Or Kim Peow Contractors (Pte) Ltd to deliver design services for Contract ER449A.

The Arbitration Tribunal had ordered CPG to pay more than \$43.79 million to the subsidiary. The arbitration outcome is final, and no further recourse is available.

(i) Has the award amount been fully received by the group?

Company's response

The Company will make further announcements if there is any further development.

(ii) What are the intended uses of the arbitration proceeds?

Company's response

The proceeds will be used to repay some bank borrowings, be placed in fixed deposits to earn interests, and as working capital.

(iii) Would the group be making goodwill payments to the victims of the accident?

Company's response

The Group had provided the affected workers with the necessary assistance and support.

By Order of the Board

Or Toh Wat
Group Managing Director
17 April 2023