BOLDTEK HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 201224643D)

RESPONSES TO QUESTIONS POSTED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS")

The Board of Directors (the "Board") of Boldtek Holdings Limited (the "Company", together with its subsidiaries, the "Group") refers to the Company's Annual Report for the financial year ended 30 June 2020 ("FY2020 Annual Report") and the annual general meeting of the Company held on 26 November 2020 by way of electronic means. Notwithstanding that the Company did not receive any questions from its shareholders in respect of the FY2020 Annual Report, the Board is pleased to provide its responses to questions received from SIAS in relation to the FY2020 Annual Report for the benefit of shareholders.

Responses from the Company are set out below:

Q1. In the message to shareholders, it was disclosed that on-site operations have remained challenging as workers will be placed under quarantine if they have come in close contact with a COVID-19 case. In addition, the group has to redesign its worksite practices to ensure safe distancing.

The group's construction activities are expected to gradually recover in the second half of 2020 but will not return to 2019 levels this year.

(i) Would management help shareholders understand if the operational challenges due to COVID-19 would substantially reduce the productivity of its labour force and hence lead to a substantial increase in costs?

The COVID-19 situation has affected many businesses across different industries and the Group has not been spared. Being primarily involved in construction projects which have been classified as non-essential activities, the Group had to suspend operations of its construction projects at various sites between 7 April 2020 and 1 June 2020, in compliance with the Singapore Government's Circuit Breaker ("CB") measures.

As a result, the disruption of work at various sites had a significant impact to, *inter alia*, the productivity of its labour force. The Group has also recorded delays in relation to the contracted timeline of its various ongoing projects. However, the Group has availed itself to the relief as provided by the Building and Construction Authority (BCA) under the COVID-19 (Temporary Measures) Bill to temporarily protect business if they are unable to fulfil certain contractual obligations due to the impact of COVID-19. As such, there is no financial impact caused by the delays.

Subsequent to the CB period, the BCA had allowed construction work to resume in a controlled manner and in phases after the CB period ended on 1 June 2020. In particular, construction projects are required to meet the COVID-Safe Restart Criteria before resuming work in order to minimise the risk of new COVID-19 outbreaks among construction workers.

The COVID-Safe Restart Criteria comprises the following requirements and applies to all projects, of which the Group had fulfilled:

- Implement a system of Safe Management Measures at worksites with appointment of Safe Management Officers and Safe Distancing Officers;
- Segregation of teams to reduce physical interaction and ensure safe distancing at worksite;
- Support contact tracing requirements;
- Implement health checks and protocols;

- Require medical personal protective equipment; and
- Ensure cleanliness of workplace premises.

The Group is optimistic that the situation will improve from here on now, especially with strong support from the Singapore Government in rebuilding the economy.

(ii) Has management been able to quantify the expected increase in costs?

As the COVID-19 situation remains fluid, the Group cannot reasonably estimate the duration and severity of the disruptions. As such, the Group is still unable to quantify the impact on the Group's operating and financial performance for the financial year ending 30 June 2021. Notwithstanding, Management will continue to assess the impact of the COVID-19 outbreak on the Group.

(iii) Is management leveraging technology/training to improve the productivity of its workers to mitigate the impact caused by the COVID-19 measures?

BCA had earlier launched the Productivity Solutions Grant (PSG) under BuildSG Transformation Fund (BTF) on 30 April 2020. The grant aims to support small and medium-sized enterprises (SMEs) keen on adopting pre-approved digital solutions, which enhance firms' productivity under the Construction and Facilities Management Industry Digital Plan (IDP).

The Group had applied for the PSG to co-fund up to 80% of the qualifying costs of adopting pre-approved digital solutions so as to enhance its technological capabilities and improve productivity.

The Group continues to be on the lookout to capitalise on similar opportunities should such opportunities arise.

In addition, out of the $52.9 million in revenue, only $250,000 was generated from the precast manufacturing segment and the rest from general building. The precast segment appears to be highly competitive and there is a risk of overcapacity in the segment. The external revenue from the precast manufacturing segment was $2.85 million in FY2017 and $230,000 in FY2018 and $0 in FY2019.

(iv) How is the group going to differentiate itself from other precast suppliers? What is the strategy to scale up the segment in a profitable manner?

Notwithstanding that the precast segment appears to be highly competitive with risk of overcapacity, the Group will continue to monitor the precast industry for developments and exercise prudence in precast tenders.

Q2. In the property development and investment segment, the group, via Le Premier Malaysia, developed 20 units of freehold 3 storey terraced service industries for sales which were substantially completed by October 2017.

The group managed to complete the sale of 2 units during the financial year ended 30 June 2019. Prior to that, in FY2018, the group reclassified the completed properties (from development properties) to investment properties with a carrying value of $18.59 million as at 30 June 2020 arising from a change in use from property development purpose to land held to earn rental or for capital appreciation, or both.

(i) Would management help shareholders understand the total amount of capital invested in the 20 units of freehold three storey terraced service industrial in the Senai Industrial Park?

The total amount of capital invested was RM20,531,000 (equivalent to S$6,939,000). Please refer to Note 9 to the Financial Statements "Completed Properties for Sales" in the FY2020 Annual Report for further details.

(ii) Has management carried out a review to understand why the Senai units are not selling well 3 years after completion?

For the financial year ended 30 June 2018, development of the 20 units of freehold 3 storey terraced service industries ("Senai units") were not completed and classified as "Development Properties". The development of the Senai units was subsequently completed in September 2018. For the financial year ended 30 June 2019, the Group completed the sale of 2 Senai units and the remaining 18 Senai units were reclassified as "Completed Properties for Sales".

The Group believes that the sales of the Senai units are affected due to the unfavourable investment and market sentiments for industrial properties in Johor, mainly caused by the postponement of the Kuala Lumpur-Singapore High Speed Rail Project, Johor Bahru – Singapore Rapid Transit System and the COVID-19 pandemic In addition, the plunge in crude oil prices has also impacted the Malaysia economy, in tandem with the global economy. The Group believes that collectively, all these factors which are largely out of its control, have negatively impacted the Group's marketing activities to promote the sales of the remaining 18 Senai units.

Notwithstanding the above, the Group will continue to market the balance unsold Senai units for sale once the Malaysia's border is opened after COVID-19 pandemic. The Group also has the option to lease out the unsold Senai units to generate recurring rental income.

(iii) What are the holding costs?

The holding costs comprise property tax for the 18 units amounting to approximately RM226,000 (equivalent to S$80,000) per annum.

(iv) On page 77, the group disclosed that rental income for the year amounted to $37,000. Can management confirm that most of the 18 remaining units are vacant and are not generating rental income?

Other than the rental income as disclosed in Note 5 to the Financial Statements "Investment Properties", there is no rental income from the unsold 18 Senai units. However, as mentioned in the Company's response to Q2(ii), the Group has the option to lease out the unsold Senai units to generate recurring rental income.

With net debt of $55.2 million and equity of $24.6 million, the group has a net debt to equity ratio of 2.24x. The group paid over $1.04 million in interest expense on bank borrowings in FY2020.

(v) With the benefit of hindsight, has the board revisited the investment thesis and approval process for the group's investment and development of the industrial units at Senai Industrial Park? What changes, if any, has been made to the board approval process? For instance, was there unanimous support on the board? How did the board encourage constructive debate, draw out differing views and avoid groupthink?

The Board and management adopt a disciplined and prudent approach towards evaluating new investments, taking into account potential operational synergies and shareholder value enhancement. Recommendations for significant investments and divestments are submitted to the Executive Committee and the Board for discussion and approval.

The Board is of the view that the property development business will offer the Group a diversified revenue stream. On that basis, the Group has recently entered into a joint venture agreement with Neo Group Limited, a company listed on the SGX-ST to further explore opportunities in the property development business.

(vi) Has the board evaluated the group's options for the remaining 18 units at Senai Industrial Park?

The Board has been constantly reviewing and evaluating the options it has for the unsold 18 units including but not limited to leasing out the unsold Senai units as mentioned.

The Company will update shareholders as and when there are material developments on this matter.

Q3. The financial highlights of the group are shown on page 9 of the annual report and reproduced below:

S$'000	FY2016	FY2017	FY2018	FY2019	FY2020
Revenue	148,055	72,887	94,931	78,778	**52,920**
Gross profit	10,127	6,197	5,513	9,951	**4,818**
(Loss)/Profit before taxation	2,317	(1,275)	1,424	982	**(4,034)**
(Loss)/Profit after taxation	1,799	(1,307)	447	784	**(4,014)**
(Loss)/Profit attributable to owners of the parent	1,932	(1,060)	592	817	**(3,948)**
(Losses)/Earnings per share (Singapore cents)[1]	1.14	(0.62)	0.33	0.44	**(2.13)**
Total assets	81,464	81,360	81,502	86,335	**86,016**
Equity attributable to owners of the parent	27,094	25,270	27,551	28,415	**24,609**
Net asset value per share (Singapore cents)[2]	15.70	14.49	14.86	15.31	**13.22**

[1] The (losses)/earnings per share was computed based on the (loss)/profit attributable to owner of the parent divided by the weighted average number of shares in issue during the financial year.

[2] The net asset value per ordinary share for FY2016 to FY2017 and FY2018 to FY2020 is computed based on the issued shares of the Company of 170,000,000 and 185,625,000 shares respectively.

(Adapted from the company annual report; emphasis added)

The major line items in the income statement are the least favourable in the 5-year under review (highlighted by the red box). Revenue has fallen from $148 million in FY2016 to $52.9 million in FY2020. In fact, loss for the year attributable to owners of the parent amounted to $(3.95) million. Loss per share amounted to (2.13) cents per share in FY2020.

However, the salaries and bonuses of executive directors and key personnel management has remained steady at $1.483 million in FY2020 (FY2019: $1.489 million) (page 93).

In particular, the remuneration of executive directors in the past 4 years are shown below:

FY2020 Directors/CEO	Fees %	Salaries(1) %	Bonus(2) %	Other Benefits(3) %	Total %
S$500,001 to below S$750,000					
Mr Phua Lam Soon	–	72.31	17.73	9.96	100
Ms Ong Siew Eng	–	70.12	17.09	12.79	100

FY2019

S$500,001 to below S$750,000					
Mr Phua Lam Soon	–	71.35	17.50	11.15	100
Ms Ong Siew Eng	–	69.03	16.74	14.23	100

FY2018

S$500,001 to below S$750,000					
Mr Phua Lam Soon	–	72.85	17.83	9.32	100
Ms Ong Siew Eng	–	70.98	17.16	11.86	100

FY2017

S$500,001 to below S$750,000					
Mr Phua Lam Soon	–	72.45	17.66	9.89	100
Ms Ong Siew Eng	–	70.31	17.00	12.69	100

(Source: company annual reports)

It can be seen that the remuneration packages of two executive directors have been in the range of \$500,001 to \$750,000 even as the group reported less satisfactory results. In particular, the salary component of Mr Phua Lam Soon was between 71%-73% and the bonus component was between 17.5% to 18%, even as the group slipped into losses.

The members of the remuneration committee (RC) are Mr Chen Timothy Teck-Leng (chairman), Mr Pao Kiew Tee and Mr Foo Shiang Ping.

The RC has stated that in reviewing the remuneration packages, it will take into consideration the financial performance of the group and the performance of individual employee. The RC has stated that it aims to be fair and to avoid rewarding poor performance (page 22).

Even as the group is on a general downtrend in revenue and earnings in the past 5 years, the remuneration of the executive directors has remained as high as \$1.5 million combined for each year, with bonuses of about 17% each year.

(i) Can the RC elaborate further how the company's practices have met Principle 7 of the Code which requires that the level of remuneration of the board and key management personnel must be appropriate and proportionate to the sustained performance and value creation of the company? Over the past 4 years, the executive directors have received remuneration of up to \$6 million while the cumulative loss in the equity attributable to owners amounted to \$(3.6) million.

The RC in reviewing the remuneration packages of the Executive Directors have considered various factors, including the financial performance of the Group. However, the financial performance of the Group is not the sole determining criteria and the RC have considered, amongst others, the efforts and contribution of the Executive Directors including their financial assistance to the Company as well as other intangible efforts. The RC will continue its review of the remuneration package as and when circumstances may change and make the necessary recommendation accordingly.

(ii) Would the RC help shareholders understand if the current remuneration practice is based on a pay-for-performance approach in which performance-related elements form a significant part of the total remuneration package of the executive directors (and of key management personnel)?

Please refer to the Company's response in Q3(i) above.

(iii) Has the RC reviewed if the current remuneration framework could be made fairer and more effective at avoiding rewarding poor performance (page 22)?

The RC has reviewed and continues to review the remuneration framework. Please refer to the Company's response in Q3(i) above.

(iv) Would the RC be reviewing the current remuneration framework to increase its effectiveness at aligning the interests of shareholders and at promoting the long-term success of the company?

The RC has constantly been reviewing the remuneration framework to achieve a balance between promoting long-term success of the company via adequately compensated executives and aligning the interests of shareholders.

BY ORDER OF THE BOARD
BOLDTEK HOLDINGS LIMITED

Phua Lam Soon
Chief Executive Officer
3 December 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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