



KOH BROTHERS GROUP LIMITED
(Company Registration No. 199400775D)

RESPONSES TO QUESTIONS FROM SHAREHOLDERS

The Board of Directors (the "**Board**") of Koh Brothers Group Limited (the "**Company**") refers to:

- (a) the annual report of the Company for the financial year ended 31 December 2019 (the "**Annual Report**");
- (b) the notice of annual general meeting ("**AGM**") issued on 5 June 2020 informing shareholders that the Company's AGM will be convened and held by way of electronic means on Thursday, 25 June 2020 at 4.00 pm; and
- (c) the accompanying announcement issued by the Company on 5 June 2020 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

The Company would like to thank shareholders for submitting their questions in advance of our AGM. Please refer to **Annex A** for the list of questions received from shareholders, and the Management and the Board's responses to these questions.

By Order of the Board

Koh Keng Siang
Managing Director & Group CEO

24 June 2020

APPENDIX A
KOH BROTHERS GROUP LIMITED
ANNUAL GENERAL MEETING FY 2019
Q&A SEGMENT

No. Question/Response

1. Where are the areas the company is seeking to improve profitability? What are the cost-cutting measures undertaken so far and how has the financial assistance given by the Government helped during the lock down period?

A In view of the rapidly evolving COVID-19 pandemic which has a growing impact on the global economy and in anticipation of any unforeseen circumstances that may arise therefrom, we expect a negative impact on our business and the Group's financial results for the current financial year ending 31 December 2020.

Despite the challenges from the COVID-19 outbreak, the Group remains financially prudent and maintains operational agility to conserve essential resources to prepare for the post-pandemic recovery process. The support measures of the Singapore Government have eased the financial impact on the Group's profitability and cash flow. Furthermore, we have minimised some of our costs by outsourcing whenever possible, managing and expediting collection of trade receivables, assessing the financial risk of customers and their credit limit and by closely following-up on the outstanding debts. The Group has been proactive in improving operational productivity by embracing innovation and technology to enhance margin efficiency and focus on inventory management to minimise the inventory level, increase efficiency, reduce cost and minimise warehousing needs.

Concurrently, we will continue to look to tender for Construction and Building Materials projects where we have the requisite track record, experience and capabilities to ensure a consistently strong order book for sustainable growth.

With regards to the real estate development business in Singapore, the Company has adopted a cautious approach, taking into account the uncertainty surrounding the ongoing COVID-19 and its impact on the global and Singapore's economy, the effects from the property cooling measures, rising land prices and construction costs. Nevertheless, we remain on the lookout for quality land plots in Singapore and in the region. Our key considerations include factors such as good locations with good access to amenities and transportation nodes.

2. What is the status of resumption of our Company's projects? What is the percentage of workers that are still under quarantine?

A The escalation of COVID-19 in Singapore led to the government implementing a Circuit Breaker from 7 April 2020 to 4 May 2020, which has since been extended to 1 June 2020. During this period, most of our projects have temporarily ceased construction activities in compliance with the measures.

We have applied to the relevant authorities for the approval to commence work for the respective projects, which includes meeting the following COVID-Safe Restart Criteria (where relevant):

- a) COVID-Safe Workforce;
- b) COVID-Safe Worksite; and
- c) COVID-Safe Worker Accommodation and Transport.

At the present moment, less than 10% of our workers are under quarantine. There are various conditions to meet before they can resume work.

- 3. The dividend proposed has been reduced from 0.40 cent to 0.25 cent. However, the director fees and management remuneration has not been similarly reduced. Can both the proposed director fees and management remuneration be similarly reduced in the spirit of alignment of interest?**

A In proposing the dividends to be declared, the Board considers the Group's operating results, financial conditions, cash flows, expected future earnings, capital expenditure programme(s) and investment plans and the terms of borrowing arrangements entered into by the Group, amongst others.

The current COVID-19 situation has developed into a rapidly evolving global pandemic, which has severely impacted the economies in Singapore and overseas. The construction, building materials, real estate and hospitality industries, the Group's core industries, have been affected. Financial uncertainty in the current economic climate is expected to continue, prompting the need to conserve cash flow resources in the event that the COVID-19 measures were to be extended and to meet anticipated business challenges. Seen in this light, the Directors have made the difficult choice to reduce the proposed dividends to be declared.

Management has also taken precautionary steps to adopt measures to conserve the cash resources of the Group to sustain its business operations and ongoing projects to ensure the viability of the Group and that its working capital requirements are met until the COVID-19 situation improves. In accordance with such precautionary measures, we have implemented a freeze on headcount within the Group. Furthermore, Executive Directors, Management and Staff of the Group have taken a salary cut with effect from April 2020.

In addition, the Remuneration Committee has not adjusted the basis for the computation of Directors' fees since FY2016 where the basis for the computation of Directors' fees was revised, taking into account the Directors' fees of the Company's peers. This is in spite of the fact that the scope and extent of directors' responsibilities and obligations, as well as their contribution and time spent, has increased since, in light of the additional listing requirements.

- 4. Are we affected by postponement of Changi T5 project by 2 years? How much loss did the company suffer?**

A Currently, the Group is only involved in the Changi Airport Group's Runway 3 project.

- 5. The company holds almost 5% of its issued shares in treasury, will the company cancel them to boost shareholder benefits?**

A The cancellation of the issued shares in treasury will not "boost shareholder benefits" as the EPS and NAV are computed net of treasury shares.

- 6. With low interest rate environment to last for a few years, will the company redeem its second series notes of 5.1% and reissue at a lower rate as the company have almost 85m in Cash?**

A MTN allows us flexibility and access to diversified funding sources. It offers an alternative funding option apart from the traditional short-term and long-term investments. The Company will continue to monitor the market conditions and assess its position.

7. The Company's net debt amounts to approximately S\$284 million. With a high debt to equity ratio, how does the company intend to reduce its debt?

A Our net gearing ratio has reduced from 1.03 times as at 31 December 2018 to 0.94 times as at 31 December 2019. In addition, our debt servicing ability has also improved with a current ratio of 2.03 times as at 31 December 2019 compared to 1.98 times as at 31 December 2018. The Company remains comfortable with its current debt level.

8. What is the current sales status for Van Holland? In light of the COVID-19 situation and significant supply of private properties in the market for 2020, how does Koh Brothers intend to sell the remaining units?

A As of the date of this Announcement, the Company has achieved sales of 22% in Van Holland.

Van Holland stands out due to its freehold status and well-known location with potential investment returns. Van Holland has a good concept with quality finishes.

The Company has leveraged on technology and innovation to overcome the difficulties presented during these difficult times. We have built a 360-degree virtual tour of the various units in Van Holland or digital sales kit with full interactive features. This would provide assistance to buyers, who may wish to view our project from the comfort of their homes. While the brick and mortar model of viewing the actual showflat remains, the virtual tour will definitely enhance the potential in sales by giving buyers an additional option to view and discuss without leaving their homes.

9. How much sales revenue has not yet been recognized from Nonhyeon IPARK? When do we expect to collect the rest?

A In line with international accounting standards, we have not recognized the sales revenue from the Nonhyeong IPARK project as the Nonhyeon IPARK is a joint venture project.

10. The Company holds First City Complex in Batam, what are the company future plans for it? Will the company look to dispose them off?

A The Company currently does not have any immediate plan to redevelop or dispose the property in Batam. However, if such opportunities arise in the future, we may consider the same accordingly.

11. Will the company seek to dispose its investment property, Sun Plaza or will they prefer to keep it long term for recurring income? Also, does the company have control over its Joint Venture?

A Sun Plaza, located next to Sembawang MRT station, benefits from the large captive population and enjoys 100% occupancy and resilient rental yields. Being a Joint Venture, any appropriate proposal regarding the disposal of Sun Plaza would have to be considered by both partners.

12. The Company has independent directors that have served on the Board for more than 9 years. How does the Company ensure that such directors continue to maintain their independence? What is the succession planning for the board?

A Independent Directors who have served on the Board for more than 9 years are subject to a more rigorous review by the Board. Having conducted such review, the Nominating Committee has considered them to be independent within the meaning of the Code of

Corporate Governance 2018 as they have consistently exercised strong independent judgement in their deliberations. The Board believes that they have acted and will continue to act in the best interests of the Company. In addition, their knowledge, experience and contributions have been valuable to the Company.

The Nominating Committee (“**NC**”) will make recommendations to the Board regarding the Board’s succession plans as and when required. The NC ensures that the Board has the right balance of skills, knowledge and experience critical to the Group’s business and evolving needs. Important issues that are also considered by the NC for the selection, appointment and re-appointment of a director include the current Board’s composition and each director’s contributions and competencies, and the need for progressive renewal of the Board.