EVER GLORY UNITED HOLDINGS LIMITED
(Company Registration Number: 202144351H)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RELATION TO ANNUAL REPORT 2024

The board of directors (the "**Board**") of Ever Glory United Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to respond to questions received from the Securities Investors Association (Singapore) in relation to the Company's annual report for the financial year ended 31 December 2024 ("**Annual Report 2024**") released on 10 April 2024. The Company's responses to the questions are set out below: -

Q1. For the financial year ended 31 December 2024, the group reported a 57% increase in revenue to $74.7 million. However, gross profit increased marginally by only 1.9% to $11.2 million (FY2023: $11.0 million), reflecting a sharp decline in gross margin from 23.1% to 15.0%.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FY2024 S$'000	FY2023 S$'000	Increase/ (Decrease) S$'000	Increase/ (Decrease) %
Revenue	74,672	47,478	27,194	57.3%
Cost of Sales	(63,511)	(36,524)	26,987	73.9%
Gross profit	11,161	10,954	207	1.9%
Other income	1,838	405	1,433	>100%
General and administrative expenses	(3,461)	(1,525)	1,936	>100%
Other expenses	–	(1,268)	(1,268)	NM*
Finance costs	(146)	(39)	107	>100%
Share of results of an associate, net of tax	(8)	–**	8	NM*
Share of results of a joint venture, net of tax	1,010	62	948	>100%
Profit before income tax	10,394	8,589	1,805	21.0%
Income tax expense	(1,439)	(1,758)	(319)	(18.1%)
Profit for the financial year, representing total comprehensive income for the year	8,955	6,831	2,124	31.1%

(Source: company annual report; emphasis added)

As explained in the financial review (page 19 of the annual report), the lower margin was attributed to the absence of high-margin projects.

(i) Has the board provided specific guidance or margin targets to management, particularly as topline growth has not translated into improved profitability? To what extent has the group's growth strategy post-listing traded off margins for volume?

<u>**Company's Response**</u>

The Board and management of the Company (the "**Management**") acknowledge that the Group achieved strong topline growth in the financial year ended 31 December ("**FY**") 2024, which did not translate into a proportional increase in profitability. One of the key reasons is that the Group completed a higher-margin project in FY2023, which contributed to the higher gross profit and gross profit margin for FY2023.

The Group's post-listing strategy is to focus on establishing a track record in larger and more complex projects and enhancing its visibility in the mechanical and electrical ("**M&E**") engineering services market. The Management has been guided to (a) prioritise margin improvement with sustained revenue growth, (b) be more selective and cautious in tendering for projects, especially those with higher execution risks, and (c) enhance cost control and operational efficiency at the project level. For avoidance of doubt, the Group did not trade off margins for volume.

(ii) Can the company provide a detailed breakdown of the $3.46 million in general and administrative expenses?

Company's Response

Please refer to page 97 of the Annual Report 2024 which sets out the breakdown of the majority general and administrative expenses incurred by the Group in FY2024. The remaining miscellaneous general and administrative expenses of approximately S$0.59 million were related to, *inter alia*, upkeep of motor vehicle, contract assets and retention receivables written off, listing and application fees, insurance premiums, bank charges, and office utility and maintenance expenses.

According to Note 12 (page 87), trade receivables past due by more than 90 days increased to $1.14 million, up significantly from $0.14 million.

(iii) What were the underlying reasons for this increase? Have these receivables been recovered since the balance sheet date?

Company's Response

The increase in trade receivables past due by more than 90 days of approximately S$1 million from S$0.14 million as at 31 December 2023 to S$1.14 million as at 31 December 2024 was mainly due to the delay of payment by a client.

As at 31 March 2025, the Company has collected approximately S$0.985 million of the outstanding amounts. The remaining balance is being actively followed up on.

Q2. In addition to its mechanical and electrical engineering segment, the group has expanded into property investment and development. This includes a joint residential project in Geylang (20 units in District 14) through an associate stake in Primest Land V1 and a minority interest in a food factory development at Mandai Estate through Newave Solutions Pte. Ltd. The group continues to seek new real estate investment opportunities "*to enhance shareholders' return*."

(i) With a 25% interest in Primest Land V1 (held as an associate) and a 5% effective interest in the food factory (primarily through shareholder loans to Newave), how does the group actively contribute to these projects' success? What rights, decision-making influence or veto powers does the group hold?

Company's Response

In respect of Primest Land V1, Mr. Xu Ruibing, the Company's Executive Director and Chief Executive Officer and Ms. Joselin Ng, the Company's Financial Controller attend the monthly shareholders' and directors' meetings of Primest Land V1 as shareholder representative and board representative respectively, and actively participate in strategic decisions, including budgeting, financing decision, and project timelines.

In relation to the 5% effective interest held by the Company in the food factory development at Mandai Estate through Newave Solutions Pte Ltd, the Company is an investor and does not participate in the decision making. Nevertheless, the Company receives and reviews quarterly progress reports provided by the project management team, and has been kept updated on the key milestones and development status of the project.

(ii) Other than the provision of capital, what differentiated capabilities or competitive edge does the group bring to real estate development?

Company's Response

The Group specialises in M&E engineering which enables it to advise and contribute on M&E engineering-related technical matters during the execution of property development projects. This could to a large extent mitigate the risks and ensure smooth project delivery.

(iii) How has the board assessed the execution, liquidity and market risks associated with real estate ventures? Are there clear risk-adjusted return thresholds or capital allocation frameworks in place before committing to such projects?

Company's Response

The two (2) projects represent relatively small-scale investments for the Group, with potential high returns. While there is no risk-adjusted return threshold or capital allocation framework in place, the Board and the Management review each opportunity on a case-by-case basis. Prior to committing to any such projects, the Board reviews the project budgets, considers market conditions and project execution timelines and assesses the financial viability of the project.

(iv) How are partners chosen?

Company's Response

The Group evaluates the potential partners based on their property development experience, operating track record, and financial strength. These criteria help ensure that the chosen partners possess the necessary capabilities, understand the dynamics of the local market and share its commitment to delivering high-quality developments.

Q3. On 7 February 2024, the company acquired Fire-Guard Engineering Pte. Ltd. for a total purchase consideration of $4.33 million, comprising cash, shares and contingent consideration.

(i) Did Fire-Guard Engineering meet the earn-out targets for the 9-month financial period ended 31 December 2023 and the full year 2024? How did actual performance compare against targets?

Company's Response

Fire-Guard Engineering Pte. Ltd. (''**FG**'') had (a) generated net profit before tax ("**NPBT**") of approximately S$0.83 million for the nine-month financial period ended 31 December 2023, which was above the target of S$0.75 million, and (b) generated NPBT of approximately S$0.99 million for FY2024, which was below the target of S$1.25 million but above the minimum NPBT requirement of approximately S$0.63 million.

On 8 April 2025, the company announced a proposed major acquisition of Guthrie Engineering (S) Pte Ltd and a 36.87% stake in Tek Guthrie Pte. Ltd. for a total cash consideration of $46 million. The acquired companies operate in mechanical and electrical engineering and are considered synergistic with the group's existing business.

This deal constitutes a major transaction, with a value close to half of the company's market capitalisation.

(ii) Did the board explore alternative deal structures (e.g. profit guarantees, deferred consideration, or earn-out mechanisms) to align incentives and better manage integration and valuation risks?

Company’s Response

The Board has considered various deal structures during the negotiation process for the proposed acquisition of Guthrie Engineering (S) Pte Ltd (“**GESPL**”) (“**Proposed Acquisition**”), including profit guarantees, deferred consideration, and/or earn-out arrangements. Guthrie GTS Pte Ltd (the “**Vendor**”) had however expressed a clear preference for full cash consideration. If alternative structures have been adopted, the total purchase consideration for the Proposed Acquisition would have been higher to reflect the associated risk sharing and performance-based variable components. The final deal structure represents an outcome of various negotiations between the Vendor and the Company.

The Company intends to retain the management team of GESPL to better manage integration and valuation risks.

(iii) Given the size and complexity of the target, what is management's experience with integrating large acquisitions, and why did the company decide not to retain the target's trade name, potentially sacrificing brand value or goodwill?

Company’s Response

The Group's management team's specialisation in M&E engineering services directly aligns with the core business of GESPL. This existing expertise and familiarity with related projects, coupled with shared knowledge and capabilities, are envisaged to help reduce the risk associated with the integration process.

While the Company and its affiliates will subsequently have no right to, and shall cease the use of any Guthrie Name or Guthrie Branding (as defined in the circular dated 11 April 2025) on any stationery, document or in any other way, the Vendor and the Company had agreed that (a) the Company shall have a grace period of three (3) years from the date of completion of the Proposed Acquisition (“**Completion**”) to phase out the use of any Guthrie Name or Guthrie Branding, and (b) GESPL shall be allowed to use the reference “formerly known as Guthrie Engineering (S) Pte Ltd” for a period of twenty years after Completion. The Board believes that such time frames will be sufficient to allow GESPL to reduce its reliance on Guthrie Name and/or Guthrie Branding.

By Order of the Board
EVER GLORY UNITED HOLDINGS LIMITED

Xu Ruibing
Executive Director and Chief Executive Officer
23 April 2025
