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

RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS") FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 25 APRIL 2023

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 2022;

(b) the notice of annual general meeting ("**AGM**") issued on 10 April 2023 informing shareholders that the Company's AGM will be convened and held through a physical meeting on Tuesday, 25 April 2023 at 3.00 pm; and

(c) the accompanying announcement issued by the Company on 10 April 2023 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via a physical meeting.

(d) questions received from the Securities Investors Association (Singapore) ("SIAS") on 16 April 2023 ahead of the Company's Annual General Meeting to be held on 25 April 2023 at 3.00 pm.

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

By Order of the Board

Koh Keng Siang
Managing Director and Group CEO

20 April 2023

APPENDIX A
KOH BROTHERS GROUP LIMITED
RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND SIAS

Q1. For the financial year ended 31 December 2022, the group's revenue increased by 40% to $353.1 million compared to $252.6 million in FY2021. Gross profit increased by 21% to $26.0 million due to improved gross margin from the Construction and Building Materials division.

The group also recognised "other gains" of $15.0 million in FY2022, primarily due to gains from the sale of property, plant and equipment (PPE) totalling $8.6 million (page 76). The group disposed of the leasehold property and other related assets located at 50 Tuas Crescent for a gross consideration of $14.9 million. The disposal was the subject of a SGX RegCo query:
https://links.sgx.com/FileOpen/KBGL-Replies_to_SGX_Queries_dated_23_August_2022.ashx?App=Announcement&FileID=729975

In addition, 15 Genting Road was listed as a plot of industrial land under the group's PPE (Note 23 Property, plant and equipment; page 96). Online searches show marketing material featuring a new B1 industrial property project located at the address.

(i) Can management provide clarification regarding whether the group has commissioned a redevelopment project, and if so, is it included in the group's pipeline of future development projects?
(ii) Has the board approved this redevelopment project, and what is the status of the necessary regulatory approvals?
(iii) If the project has been approved, what are the anticipated timelines for completion and any subsequent milestones?
(iv) Would the board take on the responsibility of overseeing the group's process for making necessary announcements on SGXNet, if and when required?

- The Group's major properties included in property, plant and equipment are set out in note 23 (vi) in its 2022 annual report ("AR"). Currently, the properties are being occupied by companies within the Group. No redevelopment of any of the said properties is currently being commissioned. Our Board remains committed to ensuring timely announcements of all material information should there is a redevelopment of its properties.

Q2. In Note 14 (page 84; Trade and other receivables), the group has other non-current receivables of $30.127 million due from non-related parties.

According to the company's response to a query from SGX dated 2 February 2023, the group revealed that the debtors for this item were Buildhome Pte Ltd and Central Core Pte Ltd.

The company's response to SGX RegCo's query can be found here:
https://links.sgx.com/FileOpen/KBGLReply_to_SGX_Queries_2Feb2023.ashx?App=Announcement&FileID=745645

(i) Can the board help shareholders better understand the investment merits for holding on to these assets considering that they are unsecured and bear interest at 3.5% per annum?

(ii) Does the group have the option to call back on the capital and redeploy the funds to improve its capital management?

(iii) As the promissory notes and fixed rate notes are unsecured, what conditions exist to ensure or guarantee that the debt will be repaid in full when it is due in December 2024?

(iv) Are there provisions in the debt agreement that would permit the debtor to further defer payments beyond 2024?

(v) Has the management/audit committee reviewed the creditworthiness of the debtors and their financial strength?

- The Company has previously announced, on 19 July 2017 and 4 August 2017, that Koh Brothers Development Pte Ltd ("KBD") (a wholly-owned subsidiary of the Company) and Heeton Land Pte. Ltd. ("Heeton Land") have sold their respective 50% shareholding interests in Buildhome Pte. Ltd. ("Buildhome") (the "Disposal") to Central Core Pte Ltd ("Central Core" or the "Purchaser"), a company incorporated in Singapore. (please also refer to the announcements dated 10 February 2021, 25 February 2021, 18 August 2022, 26 August 2022 and 2 February 2023).

- Buildhome is a company incorporated in Singapore and prior to the sale to the Purchaser, was the joint venture company equally owned by KBD and Heeton Land. Buildhome developed and owned the property development known as "The Lumos" on 9 Leonie Hill Singapore 239220 (the "Property").

- The consideration for the Disposal was S$41.6 million. The consideration has been paid equally to KBD and Heeton Land in the following manner (a) S$30 million in cash paid on 19 July 2017 and (b) S$11.6 million to be deferred to after completion, which was novated to the shareholders of Central Core. The share of the deferred consideration of S$11.6 million that is payable to KBD is S$5.8 million.

- Contemporaneously with completion, Buildhome has refinanced the Property. In addition, as part of the transaction consideration, KBD and Heeton Land have agreed to convert their existing outstanding shareholders' loans to Buildhome aggregating S$36 million into promissory notes. The share of the promissory notes of S$36 million that is payable to KBD is S$18 million.

- Subsequently, between September 2019 and December 2019, KBD and Heeton Land each invested in Central Core by subscribing for S$2.5 million in principal amount of fixed rate notes.

- The Board has assessed that the non-current other receivables are recoverable. In making its assessment, the financial position, performance and cashflows of the debtors, the valuation of the underlying assets held by them and the debtors' ability to repay via realisation of these underlying assets held were considered by the Board.

Q3. A fair value loss on financial assets (debt and equity) at fair value through other comprehensive income (FVOCI) amounting to $2.844 million, and a separate impairment of $1.014 million for financial assets under the line item of investment securities were recognised in FY2022.
According to Note 13 of the annual report (pages 82 & 83), the group held a mix of US equities and other debt securities.

(i) Can the board help shareholders better understand the strategic value of such investments? Is this part of the group's core business model?
(ii) What is the group's overall strategy in managing its excess reserves for investments in financial markets, especially in instruments related to overseas equities?
(iii) Would the board consider overseeing an orderly unwinding of all non-core equity and debt investments?
(iv) Has the board reviewed its capital management policy and assessed the benefits of implementing share buybacks or increasing dividend payouts if the amounts invested in debt and equities are deemed surplus to capital requirements?
(v) In the spirit of transparency, would the board also reveal specific details of these losses, and in particular, the identity of the issuer for the unquoted SGD 10.00% fixed rate note, which has been restructured in 2021 and 2022?

- We invest temporary surplus cash in investment securities such as debts and structured products to generate additional flows of income before further deployment of the funds. The investment is not part of the Group's core operations.

- The Group has in place an investment policy that has been reviewed and approved by the Audit and Risk Committee ("ARC"). The investment in such financial assets was presented to the ARC for their review as part of the financial statements.

- We will closely assess the market conditions to maximise the value of the investments.

- We currently have a share buyback mandate. As at 31 December 2022, there are approximately 25 million treasury shares in place (AR Pg 122). We are bound by a confidentiality clause as part of our investment agreement, and are not at liberty to reveal details of the issuer.

Q4. The proposed director fees of S$546,000 seem high. Why is the company proposing to increase director fees by more than 10% when the company profits have dropped by more than 10%?

- There are currently 13 Board of Directors in FY2022 as compared to 10 in FY2021. The increase in the proposed Directors' fees is in line with the increase in the number of Directors appointed to the Board.

- Directors' fees are determined by the Remuneration Committee comprising independent and non-executive members of the Board have taken into consideration factors such as the scope and extent of a director's responsibilities and obligations under applicable laws, as well as the level of contribution and expected time spent.

- A routine review of the remuneration packages, which will consider the protection shareholder interests, will be conducted and the remuneration packages checked against the prevailing market rates.

Q5. The company has a board size of 13 members and the market capitalization is approximately S$60 million. There are companies with similar size with a smaller board. I would like to suggest to the company to reduce and right-size the number of Board members so that we pay less Director fees.

- The Board, having examined the scope, nature and requirements of the Group's business and operations, is of the view that the current Board size is appropriate for facilitating effective and well-considered decision making, tapping on the broad spectrum of experience and skill-set found amongst the members of the Board. The Board will restructure the Board's and its committees' compositions, if necessary, to meet the changing needs and demands of the Group's business and operations.

- Directors have been appointed based on their individual calibre, expertise and experience. Board members comprise business leaders with business, management, finance and industry knowledge. The Board, in concurrence with the Nominating Committee (the "NC"), is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. In this regard, the NC has considered and will consider, amongst others, the skills, knowledge and experience required of the Board, in light of: (a) the geographical spread and diversity of the Group's business; (b) the strategic direction and progress of the Group; (c) the current composition of the Board; and (d) the need for independence. The Board also takes into account Provision 2.2 of the Code of Corporate Governance 2018, which requires independent directors to make up a majority of the Board where the Chairman is not independent.

- The Board, having examined the scope, nature and requirements of the Group's business and operations, is of the view that the current Board size is appropriate for facilitating effective and well-considered decision making.