PROGEN HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 199605118C)

PROGEN

RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT

The Board of Directors ("**Directors**") of Progen Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the queries raised by the Securities Investors Association (Singapore) ("**SIAS**") in respect of the Company's Annual Report for the financial year ended 31 December 2021.

For avoidance of doubt, the Company would not be responding to the commentaries made by SIAS since they merely set out the context of the questions raised. The Company wishes to provide the following responses to the SIAS queries:

Q1 The group suffered a loss net of tax of $(2.7) million in FY2021. The group's loss per share for FY2021 was (0.685) Singapore cents per share compared to a loss of (0.752) Singapore cents per share for FY2020. The group's net asset value per share dropped to 6.627 Singapore cents per share as at 31 December 2021 from 7.313 Singapore cents per share as at 31 December 2020.

In the past two years, the group generated revenue of $3.95 million and $3.01 million in FY2021 and FY2020 respectively. However, total cost and expenses in the two years were $7.06 million and $6.66 million respectively.

Dr Tan Eng Liang, Mr Ch'ng Jit Koon and Mr Chee Wai Pong were appointed to the board on 24 October 1997, 24 October 1997 and 16 January 2013 respectively. Dr Tan Eng Liang and Mr Ch'ng Jit Koon have been on the board for approximately 24.5 years while Mr Chee Wai Pong has been on the board for over 9 years. The three independent directors have a combined 60 years of experience on the board and an average of nearly 20 years.

(i) Can management (re)state the group's competitive advantage and its business model? How is the group leveraging its 40 years of experience to create shareholder value?

(ii) How does management translate its "professionalism and engineering expertise" into sustainable profits for shareholders? Has the group kept up with technology and maintained its competitiveness?

(iii) How effective have the directors been at setting and approving the company's strategic plans; setting the business direction of the group; safeguarding the company's assets and protecting and enhancing shareholders' value?

(iv) Has the board held management accountable for performance? If so, how was this carried out (page 9 – Role of the board)?

Response to Q1

The Group's competitive advantage is its ability to provide a one stop solution to its customers, providing the full spectrum of services from before sale consultation, supply and installation, to after sale servicing, maintenance and repair of air-conditioning and mechanical ventilation ("**ACMV**") systems. The Group has the capability to serve a wide variety of customers for industrial, commercial and residential development in both the public and private sectors.

The Group has undertaken research and development activities and collaborated with Nanyang Technological University ("**NTU**"), School of Mechanical & Aerospace Engineering to study the possibilities of increasing efficiencies of cooling systems. The concluded product from the collaborative research has successfully registered for patent in Singapore, Brunei and Indonesia in the joint name of

NTU and Progen Pte Ltd, a wholly owned subsidiary under the Group. The Group is currently working to commercialize the patented product in the Singapore market.

While the Group remains focused on improving the performance of its core business of ACMV, the Board was mindful of the challenging market and hence, were of the view that the Group should be leveraging on their existing core competencies to explore new markets with new revenue streams in order to build long-term growth and provide its shareholders with diversified returns. As such, the Board had proposed the business diversification of its existing business to include the property business, which was approved by the Company's shareholders at the general meeting held on 27 April 2018. The approved business diversification includes the business of property development, re-development including acquisition, development and/or sale of industrial, commercial and residential property; and property investment in industrial, commercial and residential property for rental yield, capital growth and/or provision of property related services and facilities. The Group and Directors believe that such business diversification complements the Group's core business of ACMV and enhances shareholders' value.

Currently, for the business of property development, the Group holds a 20% stake in TSky Balmoral Pte Ltd, which was incorporated to undertake the redevelopment of Sloane Residences at Balmoral. Sloane Residences at Balmoral is expected to obtain its Temporary Occupation Permit in mid-2022. Before COVID-19, the Group had been sourcing for land and/or property suitable for redevelopment but had temporarily held back the plans due to the uncertainty amidst the COVID-19 situation.

The Group also holds an investment property at Riverside Road which contributed rental income and has an occupancy rate of more than 90% currently.

Due to the performance of the Group, the Group had in September 2018, reduced the salary of all employees, including key management personnel by 10% (till further notice). For the financial year ended 31 December 2020 ("**FY2020**"), there was a further 20% reduction in salary (on top of the 10% reduction that is still in effect). From the financial year ended 31 December 2018 ("**FY2018**") onwards, all additional wage supplement component for all employees including key management personnel had also been removed. The Directors' fees for all Directors have also been reduced by 20% since FY2018.

Q2 In the disclosure on remuneration in the corporate governance report, the Remuneration of CEO Remuneration of CEO/managing director is shown as $750,000 to $1,000,000 for FY2021. No bonus was given to the managing director, Mr Lee Ee @ Lee Eng.

From FY2016, the managing director has received the following remuneration:
FY2016 - $1,000,000 - $1,250,000 (96% salary; 4% bonus)
FY2017 - $1,000,000 - $1,250,000 (96% salary; 4% bonus)
FY2018 - $750,000 - $1,000,000 (100% salary)
FY2019 - $750,000 - $1,000,000 (100% salary)
FY2020 - $750,000 - $1,000,000 (100% salary)
FY2021 - $750,000 - $1,000,000 (100% salary)

In the past 6 years, the managing director received between $5 million and $6.5 million (as base salary), with just $80,000 - 100,000 in bonus.

Over the same period, losses, net of tax, attributable to shareholders are as follows:
FY2016 - $(1.59) million
FY2017 - $(4.71) million
FY2018 - $(2.50) million
FY2019 - $(2.26) million
FY2020 - $(2.93) million
FY2021 - $(2.68) million

Total losses add up to $(16.67) million while the managing director received remuneration of between $5 million and $6.5 million. For the past 4 years, the managing director has received a constant $750,000 - $1,000,000 base salary despite the continued losses.

The remuneration committee (RC) consists of Mr Ch'ng Jit Koon (chairman), Dr Tan Eng Liang and Mr Chee Wai Pong.

(i) How did the RC review the remuneration of the executive director?

Company's response:

The RC reviews the remuneration of the managing director and key management personnel of the Group, including any employee who is a substantial shareholder of the Company, or an immediate family member of a Director, the CEO or a substantial shareholder of the Company by referencing their remunerations against comparable benchmarks (e.g. companies of comparable business and size) and giving due regard to prevailing market conditions as well as the financial, commercial health, cashflow management and business needs of the Group. The remuneration received by the executive director(s) and key management personnel takes into consideration his or her individual performances and contributions towards the overall performance of the Group. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

As mentioned in the response to Q1 above, since September 2018, the remuneration of the managing director had been revised downwards by 10% due to the Group's performance. For FY2020, the remuneration of the managing director was further reduced by another 20%, on top of the 10% reduction that is still in effect. From FY2018 onwards, his additional wage supplement component had also been removed.

The Company would like to clarify that one of the reasons for the losses incurred in the past 6 financial years was due to revaluation losses recognised in the past 6 financial years which amounted to an aggregate amount of $8 million. The Group's investment property at 28 Riverside Road is carried at fair value of $18 million as at 31 December 2021, which represents 54% of the Group's total assets as at 31 December 2021. The fair value was determined with the assistance of an independent real estate valuation expert and the valuation process involved significant judgement in the selection and application of the appropriate valuation techniques, key inputs and estimates. The fair value of the investment property was $26 million as at 31 December 2015.

The Company would also like to highlight that the managing director, together with his spouse, had injected $5.12 million (approximately 90% of his accumulated remuneration for the past 6 financial years) to support the Group's cashflow needs, through the subscription of rights shares pursuant to the renounceable non-underwritten rights issue of up to 135,990,364 new ordinary shares in the capital of the Company in 2018 ("**Rights Issue**"). The Company had undertaken the Rights Issue to fund the Group's business diversification of its existing business to include the property business (refer to response to Q1) and to improve the gearing ratio of the Group.

(ii) In particular, did the RC benchmark the group's remuneration practices; give due regard to prevailing market conditions; as well as the financial and commercial health of the group?

Company's response:

Please refer to the response in Q2 (i) above.

(iii) Please elaborate further on how the current remuneration practices are aligned to shareholders' interests. Specifically, can the RC help shareholders understand if the level and structure of remuneration are appropriate and proportionate to the sustained performance and value creation (Principle 7 of the Code of Corporate Governance 2018)?

Company's response:

The Company's remuneration policy covers all aspects of remuneration including but not limited to salaries, allowances, benefits-in-kind and bonuses. The remuneration policy seeks to attract, retain and motivate talents to achieve the Company's business vision and create sustainable value for its stakeholders by articulating to staffs the link that total compensation has with the achievement of organisational and individual performance objectives, and is benchmarked against relevant and comparative compensation in the market. The remuneration policy and practices aim to ensure that the Company retains and incentivizes employees of required skill sets to align meeting the Company's goals with their personal goals. This ensures that remuneration is fair and appropriate in relation to the organisational success.

(iv) Has the board reviewed if the group has the necessary human resources in place to allow the group to meet its objectives?

Company's response:

The Board has reviewed and is satisfied that the Group currently has the necessary human resources in place to meet its objectives.

Q3 Total equity of the group decreased from \$35.8 million in FY2016 to \$31.5 million in FY2021 even as the group raise \$5.3 million in additional equity in FY2019.

From an accumulated profit position of \$8.8 million in FY2016, the group has declined to an accumulated loss position of \$(6.5) million in FY2021.

At the annual general meeting scheduled to be held on 28 April 2022, Mr. Ch'ng Jit Koon is retiring pursuant to article 109 of the constitution of the company and will be seeking his re-election. The profile of the director can be found on page 5 of the annual report. Additional information required under Appendix 7F for the re-election of directors can be found on pages 36 to 42.

(i) Can Mr. Ch'ng Jit Koon help shareholders understand his effectiveness as an independent director on the board? As noted earlier, Mr Ch'ng has been on the board since 24 October 1997.

Company's response:

Mr Ch'ng has extensive experience in many listed companies, statutory boards and community entities as member of the audit committee, member of Board of Trustees and/or member of Board of Governors. He was also an ex-Senior Minister of State for Community Development and brings with him a wealth of experience when discussing Board matters. Throughout his term, Mr Ch'ng has contributed constructively during all meetings and provided impartial and valuable advice and insights. He always seeks clarification whenever necessary, including through direct access to key management personnel.

(ii) Can the director demonstrate to shareholders how he has protected and enhanced shareholders' value?

Company's response:

After considering the annual review by the Nominating Committee together with the peer and board committee performance assessment done by the other directors, the Nominating Committee is of the view that Mr Ch'ng has contributed to the effectiveness of the Board. As aforementioned in the response to Q3 (i), with his wealth of experience, he has participated in various Board decision-making processes to implement or better existing policies that protect and enhance shareholders' value during his term since 1997.

(iii) Would Mr. Ch'ng Jit Koon consider his proposed re-election at the AGM to facilitate the renewal and succession planning of the group?

Company's response:

Mr Ch'ng, together with members of the Nominating Committee, is committed to the renewal and succession planning of the Group. The Group is on constant lookout for potential candidates as independent director and notes that only when suitable candidates, who can enhance the effectiveness of the Board are found, will they be considered for appointment to facilitate the renewal and succession planning process of the Group.

In addition, the Board wishes to inform that the Company has not received any comments, queries and/or questions from the shareholders of the Company in relation to the Company's businesses, operations and in particular, the resolutions to be tabled for approval at the AGM.

By Order of the Board of
Progen Holdings Ltd

LEE EE @ LEE ENG
Managing Director
25 April 2022

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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