

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

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The board of directors (the "**Board**" or "**Directors**") of Kori Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the questions raised by the Securities Investors Association (Singapore) ("**SIAS**") in respect of the Company's Annual Report for the financial year ended 31 December 2022 ("**FY2022**"), prior to the upcoming annual general meeting for FY2022 to be held by way of electronic means on 28 April 2023 at 10.30 a.m.. For avoidance of doubt, the Company does not respond 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 SIAS' questions:

**Q1. The group's revenue amounted to \$19.5 million in 2022, compared to \$18.3 million in the previous year. The group's two main segments are Structural Steel Works (revenue of \$17.9 million) and Tunnelling Works (revenue of \$1.6 million). The group was awarded two major contracts in May and June 2021 with contract values of \$52.3 million and these are ongoing.**

- (i) Can management clarify if the awarding of the N106 and N109 projects was based on price alone, or were they evaluated using a price-quality method framework or equivalent? In addition, did the group submit any bids in 2022?
- (ii) What are the specific upcoming major projects in the next 18-24 months, such as the Cross Island MRT line (Phase 2)?
- (iii) How does the management ensure that the recycling of structural steel pre- cast conforms to all relevant safety standards and requirements?

In the statement to shareholders, the chairman noted that the industry is currently facing liquidity and credit issues, which may have an impact on the group's operations, particularly in terms of collections from customers, which may be slower than anticipated.

- (iv) What are the reasons that the (gross) unbilled receivables were as high as \$30.9 million as at 31 December 2022?  
  
In FY2021, \$1.32 million were also written-off as uncollectible due to a customer bankruptcy event.
- (v) How does management monitor its credit exposure and has the board reviewed the customer bankruptcy case and suggested improvements to the group's credit risk framework?

**The Company's Response:**

- (i) We have always been awarded contracts based on a combination of factors including but not limited to engineering expertise, design concept, quality of work, safety of execution and tender price. This applies to projects N106 and N109. We have participated in various project tenders in 2022.
- (ii) As highlighted by the Building and Construction Authority on construction demand in 2023, upcoming major public sector developments includes the Cross Island MRT Line (Phase 2 & 3) and Downtown Line Extension.
- (iii) We have been obtaining the necessary third-party certification on compliance to the requirements of relevant standards and codes on reuse of structural steel.
- (iv) Unbilled receivables relate to rental income recognised on a time-proportion basis in accordance with the relevant accounting standards for the supply of steel beams to customers that have yet to be billed as works have not been performed as at the end of the reporting period. The (gross)

unbilled receivables remain high as it has been recognised on a time-proportion basis (as opposed to the “percentage of completion” basis), despite the progress of the construction activities having been delayed in the last three years due to the Covid-19 pandemic.

- (v) The Group has adopted prudent policies and procedures when extending credit terms to its customers and in monitoring credit risk. Such policies which governs credit exposure is reviewed and approved by the management. Our customers are generally established main contractors in Singapore that have demonstrated good credit worthiness and standing. Additionally, the projects undertaken by the Group are primarily public projects which are generally considered having low risk of default.

The S\$1.32 million write-off relates to the outstanding amount owing from the Singapore branch of an Italian company which had run into financial difficulty and was placed under some judicial administration proceedings in Italy. As such, the Singapore branch was unable to repay us. The Board had reviewed the case and concluded that it was a one-off incident. The profile of our customers generally remains unchanged and the Company will continue to monitor the aging reports to look out for early signs of financial distress of customers for early interventions where necessary.

**Q2. In September 2022, the company issued convertible bonds denominated in Singapore dollar with a nominal value of \$3,000,000. The convertible bonds carry an interest at 5% per annum. The bonds are due for repayment 5 years from the issue date at their nominal value of \$3,000,000 or may be converted into ordinary shares of the company at the option of the holder at the conversion price of \$0.16.**

As at 31 December 2022, the liability component was \$2.81 million while the equity component of the bond was \$39,012.

## 20. CONVERTIBLE BONDS

On 16 September 2022, the Company issued convertible bonds denominated in Singapore dollar with a nominal value of \$3,000,000. The convertible bonds carry an interest at 5% per annum. The bonds are due for repayment 5 years from the issue date at their nominal value of \$3,000,000 or may be converted into ordinary shares of the Company at the option of the holder at the conversion price of \$0.16.

The fair value of the liability component (based on a non-convertible bond at the date of issue), and related transaction costs. The residual amount is recognised in capital reserve, net of deferred income tax.

The carrying amount of the liability component is as follows:

The Company had on 21 September 2022 issued an aggregated S\$3,000,000 convertible bonds pursuant to convertible bonds subscription agreements with the investors dated 14 August 2022. The Company has raised net proceeds of approximately S\$2.845 million from issuance of the convertible bonds.

As at the date of this Annual Report, the proceeds have been utilised as follows:

Use of Proceeds	Net amount raised (\$S'000)	Amount utilised (\$S'000)	Balance (\$S'000)
General working capital purposes	2,845	845	2,000
<b>Total</b>	<b>2,845</b>	<b>845</b>	<b>2,000</b>

- (i) Can the company confirm the exact issue date of the convertible bonds?

On August 13th, 2022, the company disclosed its financial results for the first half of 2022, reporting earnings per share of 0.91 cents and a net asset value per share of 54.1 cents. On the following day, the company announced a proposed 5-year convertible bond with an aggregate principal amount of \$3 million and a conversion price of 16 cents.

- (ii) What were the management's efforts to source cheaper financing? In fact, did the group require the capital injection as it had \$2.1 million in fixed deposits prior to the bond issuance?

- (iii) How was the company introduced to the introducer (Shine Medi-Capital Pte. Ltd.)?
- (iv) What were the board's deliberations on the highly dilutive nature of the proposed convertible bond, given its conversion price of \$0.16?
- (v) Did the board, particularly the independent directors, perform a cost- benefit analysis of this additional capital to the existing shareholders, especially since the proceeds would be used as working capital and there are no immediate investment needs?

**The Company's Response:**

- (i) While the Company received the proceeds on 16 September 2022, the issuance of the said Convertible Bonds was completed on 21 September 2022. Hence, to be more precise, Note 20 to the Audited Financial Statements should read "21 September 2022" instead of "16 September 2022". We apologise for the inadvertent administrative oversight.
- (ii) As disclosed in the Company's Announcement entitled "Convertible Bonds Subscription Agreement" dated 14 August 2022 (the "**CB Announcement**"), the Company is of the view that the investment by the Subscribers through the Bonds Issue is beneficial to the Company and the Group. The Bonds Issue will increase the resources available to the Company in anticipation of its future operational needs, as the Group expects an increase in work volume with the gradual lifting of pandemic restrictions and the roll out of new public infrastructure works such as the MRT Cross Island Line projects. It will also allow the Group to further strengthen its financial position and capital base to pursue potential opportunities for growth and expansion which may arise in future.

In light of present market conditions, the management have tried sourcing and noted there are limited financing options available to the Group amid the current global economic uncertainty. In fact, the Bonds Issue also provides a more favourable and viable option to the Company compared to the typical terms of the funding options presently available from banks and financial institutions for similar amounts of borrowings. The fixed deposits of S\$2.1 million were considered restricted cash as they were pledged to banks as security for banking facilities.

- (iii) Please see paragraph 3 of the CB Announcement.
- (iv) The Board does not consider the Convertible Bonds highly dilutive given that the conversion price of S\$0.16 represents a premium of 1.27% over the volume weighted average price of S\$0.158 of each Share based on trades done on 12 August 2022 (being the full market day immediately preceding the date on which the Convertible Bonds Subscription Agreement was signed).
- (v) Please see paragraphs 10 and 11 of the CB Announcement.

**Q3. In January 2023, when announcing the new rules on the tenure of independent directors, Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.**

The board has stated that, pursuant to Rule 406(3)(d)(iv) of the Catalist Rules and the one-year transition period afforded by SGX RegCo, the directors, Mr Kuan Cheng Tuck, Mr Nicholas Philip Lazarus and Mr Lim Yeok Hua shall remain independent until the AGM in 2024.

The board composition has not changed in the past 10 years until the appointment of Mr Xu Quanqiang who was nominated by LJHB as a non-executive director subsequent to the bond issuance.

- (i) With all three long-tenured non-executive directors leaving the board in the near term, can the nominating committee (NC) help shareholders understand how it prioritises the required core competencies needed?
- (ii) Would the NC be sourcing for an experienced independent director with a proven track record in the engineering and infrastructure industry to join the board?

The company further added that the NC had instructed management to initiate the search for new candidates in place of all three independent directors before the stipulated deadline. It added that the NC and board will manage this closely to ensure a smooth transition (page 25).

- (iii) As its name implies, would the nominating committee consider itself better placed than management to conduct the search for new director candidates? Could the NC clarify its specific role in the board renewal process?
- (iv) What role does the sponsor play in the process of searching and nominating directors?

### **The Company's Response:**

- (i) The Nominating Committee ("**NC**") of the Company is of the view that the current Board composition provides a diversity of skills, experience and knowledge to the Company covering several core competencies such as accounting and finance, business management, legal and corporate governance, relevant industry knowledge and experience, etc, as more fully set out in the Corporate Governance Report of the Company. Hence, the NC will look for potential incoming IDs that possessing similar competencies of the existing IDs.
- (ii) While the NC may consider sourcing an experienced independent director with a proven record in the engineering and infrastructure industry to join the board, it will ultimately seek to identify the best possible candidates to join the Board, taking into account a range of factors such as experience, skills, knowledge, diversity, and cultural fit.
- (iii) The NC works closely with the management of the Company to identify and select potential candidates based on amongst other criteria, expertise, competency, reliability and dedication. While the NC may work closely with management to source or identify potential candidates, its main role is to evaluate and recommend suitable candidates to the Board.
- (iv) The Company's sponsor conducts suitability assessments of potential director candidates to be appointed to the Company and highlights findings (if any) to the NC for further deliberation. The sponsor does not search and nominate company directors.

### **By Order of the Board Kori Holdings Limited**

Hooi Yu Koh  
Executive Chairman and Chief Executive Officer  
27 April 2023

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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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