



RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT 2024

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 2024 (the “**Annual Report 2024**”).

For avoidance of doubt, the Company will only be answering the questions raised and will not be responding to the commentaries leading to the questions. The Company wishes to provide the following responses to the SIAS queries:

Q1 As noted in the chairman’s statement, revenue for the group increased by 29.3% year-on-year – from \$4.4 million in FY2023 to \$5.7 million in FY2024. Despite this growth, the group was unable to turn profitable, recognising a loss of \$(0.7) million in 2024 after a loss of \$1.1 million in 2023. Accumulated losses have now reached \$(6.7) million (refer to page 48 of the Annual Report – Balance sheets as at 31 December 2024).

Mr Chee Wai Pong was redesignated from independent director to independent chairman on 25 August 2023, and subsequently to non-independent non-executive chairman on 25 April 2024 due to his long tenure on the board.

- (i) **What are the key strategic and operational priorities identified by the chairman and the board for FY2025 and beyond? What steps are being considered to accelerate the path to profitability?**
- (ii) **Considering the cumulative losses and current financial trajectory, has the board reviewed the strategic direction and assessed whether structural changes are necessary to unlock shareholder value?**

Mr Chee Wai Pong has served as chairman for approximately 20 months and as an independent director since 2013.

- (iii) **Does the chairman view the current situation as business as usual, and what level of urgency is being applied to return the group to sustained profitability? Given the extended tenure on the board, how does the chairman take personal responsibility for driving board renewal, introducing fresh strategic thinking, and actively mitigating the risk of groupthink? What concrete actions has he taken to ensure the board remains effective, forward-looking, and accountable to shareholders?**

As disclosed in Note 30 (Segment information; page 80), the top customer contributed \$3.56 million in revenue while the next 4 customers accounted for a combined \$754,000. All five are from the products and installation segment.

In the three preceding years, revenue from the major customer amounted to \$1.75 million in FY2023, \$1.29 million in FY2022, and \$1.17 million in FY2021.

- (iv) **What is the profile of the group’s major customer over the years, and have any of these customers been long-standing, repeat clients?**
- (v) **Can the board elaborate on the nature of the engagement with the major customer—including contract terms, project scope, and renewal cycles? What oversight or guidance has the board provided to management to ensure that the terms are commercially sound and deliver a fair and sustainable margin to the group?**

Response to Q1

The Board regularly reviews the strategic directions and focus of the Group and the last review was carried out early this year. The strategic and operational priorities identified by the Board for FY2025 and in the near future include diversifying revenue streams, developing strategic partnerships, entering new markets (both geographical and sectoral), committing to sustainable practices of reducing carbon footprint and increasing energy efficiency, and reducing operational costs without compromising quality or customers satisfaction.

Since the approval by the Shareholders at the general meeting on 27 April 2018 for the Group's business diversification into property business, the Group has been actively sourcing for land and/or property suitable for redevelopment. However, due to the high local land and construction costs, the Group identified several land as potential investments but did not proceed following profitability analysis. In 2024, the Group tried to look beyond Singapore and in partnership with a business associate. As disclosed on page 66 of the Annual Report 2024 under the segment of Notes to the Accounts (Note 11), we entered into an agreement for a housing development project in Indonesia with the Group taking a 25% share of the development. This maiden investment in Indonesia allows the Group to enter a new market, while tagging on the experience of a seasoned property developer in Indonesia.

In respect to its core business of Air-Conditioning and Mechanical Ventilation (ACMV), the Group is looking to expand the range of products offered by the Group and is currently in discussion with a relevant supplier.

As disclosed on page 37 of the Annual Report 2024 under the segment of Sustainability Report, the Group has committed on several methods to reduce carbon footprint and increase energy efficiency. This includes investing in green building technologies at our headquarters and negotiating with a vendor to install solar panel system for the headquarters.

The Group is constantly identifying and eliminating inefficiencies in supply chain, negotiating better terms with suppliers and exploring alternative sources of supply.

The Group embarks on different avenues to increase revenue sources and reduce operating cost, and is working towards returning to profitability.

The Board has reviewed the strategic direction vis-à-vis the current organizational structure, and the management team, and concludes that no structural changes are necessary for now.

To support board renewal and introduce fresh strategic thinking, the Company appointed three new independent directors in 2023 and 2024. These appointments reflect the Board's ongoing efforts to strengthen its diversity of perspectives and mitigate the risk of groupthink, while ensuring it remains well-positioned to guide the Company's strategic direction effectively.

The Chairman, together with the whole Board, takes great urgency to return the Group to sustained profitability. As disclosed on page 11 of the Annual Report 2024, under the segment of Corporate Governance, it was disclosed that several investment proposals made by the Management were discussed at the Board Meeting during FY2024 with contributions from the Investment Review Committee. Investments identified as viable and sustainable were then approved to proceed.

The Group typically source for ACMV contracting projects via participations in tenders – open tenders or invited tenders – called for by either the developers or the main contractors for the structural work of the project development. The tender documents will specify the project scope, equipment specifications, project schedules and other contractual terms. Evaluation will usually be based on price, technical compliance and past experiences. For successful tenders, the Group will enter into agreements with the main contractors. Over the years, the Group has repeatedly worked with prominent and smaller main contractors in the construction industry. However, the Group also works with new main contractors whenever suitable opportunities arise.

In view of the nature of ACMV contracting, the revenue under all secured project is recognized progressively based on the percentage of completion of the specific project and this is typically not on a straight-line basis throughout the contract period. A project that spans over a period of 4 years may have more than 75% of its contract sum recognized as revenue in one of the 4 years. The obligations of the contracts are usually one-off without renewal cycles.

The Board oversees and ensures that the Group enters into agreements with fair and sustainable returns and which cover scopes and requirements that the Group possesses sufficient knowledge and resources to discharge its obligations. The Board also advises the Group to avoid working with customers with unfavorable reputations.

Q2 The group's 20%-owned associate, TSky Balmoral Pte Ltd, completed the Sloane Residences project, with all units sold as of January 2023. During the financial year, the group received \$940,000 in dividends and a further \$360,000 as capital return from this investment.

- (i) Given that the Sloane Residences project—initiated in 2017—has now concluded successfully despite pandemic-related disruptions, did the board consider distributing the returns to shareholders as dividends? Over the past two decades, the group has only declared one dividend (\$0.002 per share in 2016), and had a rights issue in 2018. Prior to this, the last distribution was made in 2005.**

It is also noted that the group entered into an agreement for a new housing development project in Indonesia.

- (ii) How does this investment align with the group's long-term strategic roadmap? Was this opportunity subject to board approval, and what specific competitive or operational advantages does the group possess in the Indonesian residential market?**

Responses to Q2(i)

As disclosed on page 28 of the Annual Report 2024 under the segment of Corporate Governance, the Company has no intention currently to declare dividends as the Company finds it more appropriate to preserve the cash in the Company for investing in new business opportunities should they arise.

Responses to Q2(ii)

Please refer to responses to Q1.

Q3 At the annual general meeting scheduled to be held on 28 April 2025, the company is proposing to re-elect Mr Lee Ee @ Lee Eng who is retiring pursuant to Article 109 of the company's constitution.

The biography of Mr Lee Ee @ Lee Eng is provided on page 4 of the annual report, and additional information required under Appendix 7F of the Catalist rules for re-election of directors can be found on pages 30 to 34.

- (i) What has been the company's total shareholder return over 5, 10, 15 years, and since its listing on SGX Sesdaq in November 1997?**
- (ii) What framework does the nominating committee (NC) use to assess a director's contributions, performance and continued suitability for the board? Specifically, can the NC elaborate on the basis for recommending the re-election of Mr. Lee Ee @ Lee Eng?**
- (iii) What are the succession plans for the chairman of the board, managing director and key management personnel (NC key terms of reference)?**

On 25 April 2024, the company announced that Mr Chee Wai Pong will be redesignated as the non-independent non-executive chairman. Mr Chee Wai Pong was first appointed to the board in January 2013. As a result, the board no longer complied with Provision 2.2 of the 2018 Code of corporate governance issued by the Monetary Authority of Singapore which requires a majority of independent directors when the board chairman is not independent. The board has stated that the appointment of a lead independent director would effectively mitigate the potential risks associated with the deviation.

- (iv) What is the company's implementation plan to align with Provision 2.2 of the 2018 CG code?**

On a separate note, the company does not have a corporate website.

(v) Do the directors view the absence of a corporate website as a concern, particularly in terms of customer engagement, stakeholder communications, and overall transparency?

Responses to Q3

Since the Company's listing on SGX Sesdaq in November 1997, other than dividends payments, the Company has had several corporate actions including Rights Issue in Year 2000, Bonus Issue in Year 2002, Special Dividend in Year 2004, Capital Reduction in Year 2005 and Rights Issue in Year 2018. When the Group generates surplus cash beyond its operational requirements, it distributes these to the shareholders. In Year 2004, the Group made extraordinary gain through disposal of its property and the cash in excess of its operation needs were distributed to its shareholders in the form of Special Dividends and Capital Reduction. The Group will continue to evaluate opportunities to return excess capital to shareholders, where appropriate, taking into account its operational needs, future investment requirements, and overall financial position.

As disclosed on page 18 of the Annual Report 2024 under the segment of Corporate Governance, the Nominating Committee (the "NC") assesses individual directors based on (1) commitment of time, (2) adequacy of preparation for meetings, (3) initiatives, (4) knowledge and abilities, (5) level of participations, (6) teamwork and effectiveness, (7) independence (if applicable), (8) disclosure of interested person transactions, (9) declaration of conflict of interest, (10) attendance at board and board committees meetings and general meetings.

Being an executive director, Mr Lee Ee @ Lee Eng, when being assessed for suitability of re-election, the NC had also considered his knowledge and experience of the Group core business of ACMV, his proven leadership in navigating the Group through past challenging periods, his drive and commitment in sourcing and negotiating for new business opportunities, as well as the guidance and mentorship he has consistently provided to the management team.

The succession plan for the Chairman is designed to ensure the Board's stability and continuity. Potential candidates should have leadership qualities, good knowledge of the Group's operations and capability to guide the Board effectively. Should there be a change in Chairman, the NC will ensure that there is an appropriate transition period to facilitate a smooth handover and effective governance will not be compromised.

For the succession of the managing director and key management personnel, the NC works with senior management to identify internal candidates who possess the requisite skills, experience and vision to drive the Company's strategic objectives.

The Company recognizes the importance of maintaining a strong level of independence within the Board to uphold effective corporate governance. Independent directors are well-represented in all key Board Committees – the Audit and Risk Committee, Nominating Committee and Remuneration Committee all comprise a majority of independent directors – to ensure effective oversight and balance of power.

As Mr Chee Wai Pong has served on the Board for more than nine years, he is deemed non-independent under the Code of Corporate Governance 2018. Nevertheless, as the Chairman, Mr Chee continues to provide impartial advice, valuable insights, legal opinions and exercises independent judgements drawing on his extensive working experiences. To reinforce independent leadership on the Board, Mr Hu Weisheng has been appointed as the Lead Independent Director. Mr Hu serves as a key liaison between the independent directors and Mr Chee, and is available to address shareholder concerns when necessary. The Board remains committed to progressively moving towards a majority-independent composition. This will be done in a manner that preserves Board effectiveness, business continuity, and the strategic needs of the Group.

The Company acknowledges that having a corporate website can play a significant role in enhancing customer engagement, improving stakeholder communications, and fostering transparency. However, after careful consideration, the Board has concluded that the absence of a website is not a major concern, especially in the context of the Company's communication strategy, since shareholders can always reach out to management or the Board via email and/or phone call, contact information of which is disclosed on

the Corporate Information page in the Annual Report 2024. As disclosed on page 35 of the Annual Report 2024 under the segment of Sustainability Report, there are various methods that the Company engages with its various stakeholders.

The Board is aware of the evolving expectations regarding digital presence and is evaluating the potential development of a corporate website. In view of the lean operation and non-complicated business at this juncture, the Company will revisit this matter when the Company requires such additional avenue of communication with stakeholders, and when it is confident that it can maintain the website with up-to-date, accurate information, ensuring that it serves the purpose of improving engagement and transparency without compromising the integrity of the communication.

The Board wishes to inform that by the deadline of 11 April 2025, 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 and EGM to be held on 28 April 2025.

By Order of the Board of
Progen Holdings Ltd

LEE EE @ LEE ENG
Managing Director
24 April 2025

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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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