

**Responses to SIAS questions dated 20 July 2023**

**Q1. Trading of the company's shares on SGX resumed on 8 December 2022 more than three years after a trading halt on 24 June 2019 which was followed by a voluntary suspension on 27 June 2019. The resumption of trading came after the company obtained SGX's approval and upon assurance from the board that, inter alia, the group is able to operate as a going concern, which was mainly due to the performance of the construction services business under Merco Pte. Ltd. (Merco). As stated in the corporate profile, the group's core businesses include property development, investment, project management and the provision of specialist construction services. As at 31 March 2023, the group has total assets of \$9.7 million and equity attributable to shareholders of \$4.0 million as at 31 March 2023.**

**(i) Can the board provide additional details regarding the group's strategic growth plans and clarify if property development and investment remain core businesses? If so, how does the group plan to finance such activities?**

**A:** As stated in the Group's corporate profile, the group's core businesses include property development, investment, project management and the provision of specialist construction services. The Group is constantly leveraging its network to explore and identify potential property development and investment project. Should any such opportunities arise, the Group may finance them through internal resources and/or bank borrowings.

**(ii) Are there plans to carry out any equity fund raising in the near term to further strengthen the financial position of the company?**

**A:** The Group is always exploring opportunities to carry out fund raising exercise to strengthen its financial position. The Group will make relevant announcement as and when appropriate.

**Q2. As stated in the message to shareholders, Merco continued to spearhead the group's development in the construction services segment through the provision of specialist services. The projects on hand have residual contract value of \$3.2 million. Management has also stated that Merco will continue to identify opportunities, including acquisitions, to pursue potential construction projects in both the public and private sectors.**

**(i) Can management provide clarification on whether the focus is on acquiring companies that have secured projects or on acquiring companies to enhance technical/specialist capabilities in order to secure new projects?**

**A:** The Group is always on the lookout for potential acquisitions that would fit the Group's strategic plans and also help to enhance both the Group's business and its shareholders' value. There is no focus on the type of companies that we are looking to acquire, but instead on what opportunities are available, as well as what acquisitions would make the most sense in both the short and long term.

**(ii) How is the group searching for potential acquisitions?**

**A:** Management is leveraging on its network to search and identify suitable targets.

**(iii) What are the efforts by management to secure new contracts organically? Are there any major opportunities in the next 12-18 months?**

**A:** The Group remains focused on building up its capabilities and securing new contracts organically as evidenced by the increase in its order book over the last financial year. The Management remains cautiously optimistic on the business prospect of the Group. Should there be any major developments the company will update shareholders via an announcement on SGXNET.

**(iv) Can management provide further elaboration on Merco's business plans and clearly articulate how it generates long-term, sustainable value for shareholders? How much of the business is the provision of labour and if so, how does Merco supply the labour? As at 31 March 2022, the group has a workforce of 6 full-time employees.**

**A:** The Group believes that the built environment in Singapore remains an attractive business sector and is worth pursuing. New developments and upgrading works in Singapore have always been consistent, which means that there will always be opportunities for companies to undertake these works so long as there is a reasonable and competent team in place. The Group intends to build up a good and competent team to undertake these potential construction projects. To-date, the Group has built up its own competent team of approximately 40 workers. As at 31 March 2023, it also has access to a large pool of sub-contractors which provide it with workers under its management and supervision to participate in its clients' projects.

**As noted in the key audit matter section in the independent auditor's report, the group's contract assets and trade receivables amounted to \$3.2 million (Note 9) and \$2.4 million (Note 10) respectively as at 31 March 2023. The group has concentration of credit risk on the outstanding trade receivable from a customer amounting to \$4.2 million arising from various construction contracts involving the provision of labour to the customer, which represented 43% of the group's total assets.**

**(v) Has management been successful in collecting trade receivables within reasonable industry norms?**

**A:** Yes, the Group has been able to collect outstanding amounts within reasonable industry norms.

**(vi) Since the end of the financial year, has the group issued invoices to its customers (in order to decrease contract assets) and made efforts to collect outstanding trade receivables?**

**A:** Yes. As at the date of this letter, invoices issued subsequent to 31 March 2023 amounted to approximately \$2.12 million, and collections amounted to approximately \$1.34 million.

**Q3. The group lost control over PT Oxley Karya Indo Batam ("PT OKIB") and has written down the carrying value of the investment to \$Nil in FY2021. As at 31 March 2023, PT Wiwoa Miti Karya Batam ("PT Wiwoa") has taken over the construction and marketing of the Batam Project and has renamed it as "One Avenue Batam". The group is currently in consultation with its legal advisors in Singapore and Indonesia to protect the group's interests in respect of the claim against its indirect subsidiary, two former directors of the subsidiary and PT OKIB in relation to the Batam Project.**

**(i) Who is spearheading and overseeing the group's efforts in the lawsuits in Indonesia? To what extent is the board overseeing the efforts?**

**A:** The Executive director and the CFO are responsible for liaising with the lawyers and implementing the Board's instructions.

The Board provides guidance and are closely updated on any new developments. Any decision on legal action relating to the investment in PT OKIB will require board approval.

**(ii) In FY2023, what was the total amount of legal fees incurred in relation to PT OKIB?**

The total legal fees that were incurred in FY2023 relating to the PT OKIB dispute with the JV partner amounted to approximately \$ 0.22 million.

**(iii) Can the board elaborate further on the implications of the legal advice that there is no bilateral or reciprocal enforcement regime between Singapore and Indonesia?**

**A:** The implication is that the plaintiff in the Indonesian proceedings, if successful, has to start new proceedings in Singapore in order to enforce the judgment in its favour.

**(iv) Can the board provide shareholders with a clearer understanding of the most favourable outcome the group can anticipate given the current challenges?**

**A:** At this moment, there is nothing additional that the Board can provide as all material developments to date have been publicly disclosed to the shareholders.