

KORI HOLDINGS LIMITED
(Company Registration No. 201212407R)
(Incorporated in the Republic of Singapore)

RESPONSES TO SIAS QUERIES ON KORI HOLDINGS LIMITED'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (“Board”) of Kori Holdings Limited (the “Company”) wishes to announce the following in response to the queries raised by Security Investors Association (Singapore) (“SIAS”) on the Company’s Annual Report for the financial year ended 31 December 2019 (“FY2019”):

Q1. As noted in the corporate profile, the group is principally engaged in providing civil/structural engineering and infrastructural construction services as a sub-contractor for commercial, industrial and public infrastructural construction projects. The group’s businesses can be categorised into two main segments, namely, structural steelworks services and tunnelling services.

In the chairman’s statement, it was disclosed that revenue from the steelworks segment (provision of construction services and leasing of steel beams) fell by 34% to \$17.3 million in FY2019 due to the reduction in the work done during FY2019. Revenue from the Tunnelling Segment decreased by more than half due to lower activities in FY2019.

The group’s revenue in the past 5 years is shown below:

- 2015: \$50.99 million
- 2016: \$60.43 million
- 2017: \$31.64 million (restated)
- 2018: \$26.13 million
- 2019: \$17.26 million

- (i) *Can management help shareholders understand the viability of the group’s business in the long run given that revenue has been on a decline?*

While the group was awarded 4 contracts in 2019, the total aggregate amount was just \$68.3 million. These contracts are to be completed up to 60 months from its commencement.

- (ii) *For the benefit of new and long-standing shareholders, what is the group’s market share in the strutting, piling and decking segment and in the tunnelling segment?*

- (iii) *Can management elaborate further on the opportunities available in the next 18-24 months? What is the group’s strongest selling point compared to its competitors?*

Response:

- (i) The decline of the group’s revenue for the past few years is in line with the completion of the major projects (i.e. projects with value of more than S\$10 million and of longer duration of approximately 60 months) secured in the period of 2014 and 2015. For the avoidance of doubt, various projects of lower value and shorter duration than major projects had been secured by the Group in 2016, 2017 and 2018. As the group had been awarded major contracts in 2019, the group’s business is viable in the long run. It is expected that revenue would be recorded in the next 60 months from the date of commencement. The revenue recognised for each financial year is generally a function of various factors such as the number, size and timing of contracts or projects secured, and

the status of completion of each project which will in turn be determined by the relevant and applicable accounting standards.

- (ii) To the best of our knowledge, we are not aware of any publicly available or observable data or information indicating the market share of players in our industry. Accordingly, we are unable to provide the market share of our group. Nonetheless, the group is pleased to share that it has consistently been able to secure multiple projects for most major public sector infrastructure development in Singapore.
- (iii) Barring the uncertainties engendered by COVID-19 and any other unforeseen circumstances, the construction demand is expected to remain strong in the next 18 to 24 months based on the Building and Construction Authority's projection released in January this year¹, with major public sector infrastructure projects leading the demand. The group's proven track record and expertise in deploying innovative, sustainable as well as low cost technologies that increases productivity will position the group well to secure further projects.

Q2. As shown in the Statements of financial position (page 64), the group has \$33.1 million invested in property, plant and equipment, out of total assets of \$63.3 million.

In Note 2 (page 74 – Summary of significant accounting policies), the group stated that the carrying values of its property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

The costs of steel beams and oil jacks are depreciated on a straight-line basis over their estimate useful economic lives of 15 years.

As at 31 December 2019, the group's carrying amount of steel beams and oil jacks amounted to \$30,431,961 (2018: \$30,424,534). In FY2019, the group added \$2,929,795 to its holdings of steel beams and oil jacks.

- (i) Despite the much lower revenue, the group increased its holding of steel beams and oil jacks by \$2.9 million in FY2019. What were the utilisation rates of the group's steel beams and oil jacks?*
- (ii) What is the average age of its steel beams and oil jacks?*
- (iii) What are the indicators of impairment used by management to determine if the property, plant and equipment are to be reviewed for impairment?*

Response:

- (i) The average utilisation rate of the group's steel beams and oil jacks in 2019 was approximately 77%.
- (ii) The average age of steel beams and oil jacks as of 31 December 2019 was about 6 years.

¹ Building and Construction Authority. (8 January 2020). Singapore's construction demand for 2020 expected to remain strong. Available at: <https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2020/01/08/singapore-s-construction-demand-for-2020-expected-to-remain-strong>

- (iii) The indicators of impairment tests/review used by management to determine if property, plant and equipment (PPE) are to be reviewed for impairment on an annual basis are, inter alia, as follows:
- Obsolescence or physical damage.
 - Asset is idle or held for disposal.
 - There are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
 - Evidence is available from internal assessments that indicates the economic performance of an asset is, or will be, worse than expected.

Q3. *The board comprises five members, including three independent directors who were all appointed on 16 November 2012.*

- (i) *Can the company help shareholders recall if it has appointed any new directors to the board since its listing?*
- (ii) *Has the nominating committee ("NC") reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?*

On page 28 of the annual report, the NC stated that it will consider candidates proposed by the directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.

- (iii) *Would the NC elaborate further on how the search and nominating approach supports its board diversity policy?*

Response:

- (i) The group has appointed Mr Ng Wai Kit to the Board as an Executive Director of the Company with effect from 2 March 2018.
- (ii) The nomination committee has reviewed in the latest annual assessment for FY2019 the composition and competency of the board and has not identified any major gaps in skill or competency of the current composition of the board members.
- (iii) The Board's policy in identifying potential candidates for directorship is primarily to have an appropriate mix of members with complementary skills, core competencies and experience. In support of board diversity in consideration of potential candidates, the nominating committee reviews the existing attributes, core competencies and requirements of the Board on an annual basis. Please refer to pages 23 to 24 of the annual report for further information.

BY ORDER OF THE BOARD

Hooi Yu Koh
Executive Chairman and CEO
24 June 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753 (2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST 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.

The contact person for the Sponsor is Ms Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).