

**Responses to SIAS questions dated 23 July 2021**

**Q1.** The group's equity decreased from \$16.3 million to \$3.9 million during the year under review, mainly due to the "impairment on loss of joint control over the joint venture" for the joint venture in relation to the Batam Project.

As at 31 March 2021, cash and cash equivalents was \$2.6 million and net debt was \$6.7 million. Accordingly, the net debt to total equity ratio increased to 174% as at 31 March 2021.

- (i) **What are the efforts to protect the group's interests and to recover its investments in PT Oxley Karya Indo Batam ("PT OKIB")?** PT OKIB was previously classified as a joint venture and has been reclassified as financial assets, at fair value through other comprehensive income following a loss of joint control and significant influence over PT OKIB. The carrying value of \$12.94 million was fully impaired.

*Reply: - The Company's management ("Management") is currently in consultation with its legal advisors in Singapore and in Indonesian to protect the Group's interests by:*

*(a) defending the Indonesian Actions; and (b) seeking recovery of its investment, either in Indonesia or in Singapore. The Company will consider such advice carefully and take the appropriate steps so as to best protect the Company's and its shareholders' interests.*

*The Company will keep the shareholders of the Company ("Shareholders") updated via publication of announcements on SGXNet as and when there are material developments on the above matters.*

- (ii) **What is the current working relationship with the former joint venture partner, PT Karya Indo Batam ("PT KIB")?** It was disclosed that, on 5 May 2021, PT KIB obtained leave of court to discontinue the Singapore lawsuit and, on 7 May 2021, filed a Notice of Discontinuance to wholly discontinue the Singapore Action against the company.

*Reply: - The Management has made several attempts to reach out to the joint venture partner, PT KIB but there was no positive response from them. There is currently no working relationship with PT KIB.*

- (iii) **Does the board have visibility on the progress of the Convention City Project in Batam?**

*Reply: - No, for the reasons that we have explained above, that PT KIB has refused to engage with the Company in any meaningful manner.*

- (iv) **Has the board considered its option to strengthen the financial position? Does the group have sufficient working capital to support its growth plans?**

*Reply: - Yes, however the Board is cognisant that strengthening the financial position of the Company involves successfully lifting of the trading suspension of its shares. Meanwhile, the*

*Company has been making efforts to pursue more/ new construction projects in order to create recurring revenue streams as announced on 24 June 2021.*

**Q2.** Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

- (i) **Kim Chuan: Can management elaborate on the long-term plans for 6 Kim Chuan Terrace?**  
The property is leased out with a base rent of \$10,000/month for a two-year rental period with an additional one-year option effective from 1<sup>st</sup> February 2021.  
**Has the tenant been prompt with the monthly payment?**

*Reply: - The Management long-term plans for 6 Kim Chuan Terrace is to work with potential partners to jointly develop the plot for sale. The Management is in discussion with various potential partners and Shareholders will be updated when there are any material developments.*

*Till date, the tenant has unfortunately not been prompt with their payments and are currently behind in their monthly rent payments citing impacts of the Covid-19 situation. However, the Management and tenant are in close discussions to work out solutions to normalise their arrears in due course and the Group will take appropriate actions when required to protect the interest of the Group.*

- (ii) **Specialist construction services:** The group's wholly-owned subsidiary, Merco Pte Ltd ("Merco"), has been granted contractor registration status under category CR01 for Minor Construction Works Single Grade. It is now able to tender for government construction assignments called under the CR01 Workhead relating to Minor building and civil engineering works. **What is Merco's competitive advantage that would allow it to create and capture value for shareholders? How does it address the manpower shortage which resulted from COVID-19 related restrictions? What is the order book? Is Merco expected to become a major revenue contributor?**

*Reply: - The Management has identified the award of CR01 Workhead relating to Minor building and civil engineering works as one of the niches it can develop based on the Group's existing financial and management resources. Through its industry contacts, it is able to work with sub-contractors to secure contracts.*

*As the business has just commenced, Merco can be selective in the jobs it pursues such that it will not face manpower shortage issues that are caused by COVID-19 restrictions. By virtue of being granted contractor registration status, Merco now has opened up opportunities to pursue potential projects in both the Public & Private sector. Members of the Management has extensive experience, contacts and proven track record in the construction industry and are also able to tap on their wide pool of contacts of sub-contractors and labour suppliers to assist in the lack of manpower if the issue ever arises.*

*The current order book to date of Merco is approximately \$190,000.00.*

*Merco is already the major revenue contributor since the beginning of the current financial year and the Company foresees it to continue to be so, barring unforeseen circumstances.*

- (iii) **Bank borrowings:** The group accepted an offer of extension on its bank borrowings to repay the outstanding sums under the loan in full on or before 31 January 2022. **Would the group be able to secure additional funding/refinancing to repay the existing loans of \$8.64 million?** As at 31 March 2021, cash and cash equivalents amounted to just \$2.6 million.

*Reply: - The Management believes the Group will be able to refinance the bank borrowings when it finalises the development plan for the Kim Chuan Property and are in the midst of engaging various financial institutions & alternative partners to procure a longer-term refinancing solution.*

**Q3.** In a regulatory announcement dated 26 January 2021, following the Singapore Exchange Regulation's (SGX RegCo) review of the independent reviewer's report by Provenance Capital Pte. Ltd, SGX RegCo stated that the company would be suspended until it submits a trading resumption proposal that addresses:

- a) the findings highlighted in the Provenance Report;
- b) concerns arising from subsequent developments in PT OKIB and the Batam Project;
- c) the company's ability to operate as a going concern;
- d) viability of its remaining business; and
- e) adequacy and effectiveness of its internal controls.

In addition, the company announced on 10 February that it has further appointed PricewaterhouseCoopers Consulting (Singapore) Pte Ltd. as the independent reviewer to carry out a second independent review based on the approved scope of work by the Singapore Exchange Securities Trading Limited.

- (i) **When does the board expect PricewaterhouseCoopers Consulting to complete the second independent review? What prompted the second independent review?**

*Reply: - Please refer to the Group's response to SGX Query No 6 in its announcement dated 22 September 2020 for the reason why a second independent review was commissioned ("**Second Independent Review**"). The Second Independent Review is underway and the Company will make an announcement on the completion of the Second Independent Review once it is finalised, together with the executive summary of the report.*

- (ii) **What is the progress by the group on (a) to (e) above?**

*Reply: -*

*Item a) We would like to draw your attention to the corporate governance report ("**CG Report**") principle 9 of the annual report of the Company published on 14 July 2021. Baker Tilly*

*Consultancy (Singapore) Pte Ltd (“Baker Tilly”) was appointed by the Company to ascertain whether it has implemented the internal controls over areas highlighted in the first independent review report by Provenance Capital Pte Ltd. Baker Tilly has completed the review and reported to the audit committee of the Company (“AC”) and the AC has reported its conclusion in the CG report.*

*Item b) We would like to draw your attention to the independent auditor’s report of the annual report of the Company published on 14 July 2021 (page 40-41), where we disclosed the reason why we have recognised the impairment on loss of control over joint venture and that we are in consultation with Indonesian Legal Counsel (See answer to question 1 above) to protect our interest. The Group is only a 40% shareholder and the Joint Venture is now effectively under the control of the joint venture partner. As highlighted in reply to question 3 (i), the second independent review is underway and the Company will provide further updates when it has been completed.*

*Item c) The Group currently is in a net asset position and has sufficient funds to meet its financial obligations. The Group may also contemplate a fundraising exercise once the trading suspension of its shares is lifted.*

*Item d) Please see reply to Q2(i) and Q2(ii).*

*Item e) Please refer to the conclusion by the AC on the adequacy and effectiveness of the internal controls in the CG Report.*

**(iii) In particular, please update shareholders on the improvements made to the group’s internal controls and risk management framework.**

*Reply: - The Company has appointed a new executive director and a new chief financial officer in July 2020 and August 2020 respectively. The Company has undertaken a review of the policies, procedures and manuals and its Enterprise Risk Management and updated them accordingly. The revised policies cover Interested Persons Transactions, Conflict of Interest, Delegation of Authority, Whistle Blowing which were also reviewed by our Internal Auditors Baker Tilly and covered in their independent review report to the Audit Committee. All of the Company’s staff have been briefed on the policies and been informed of the need to comply with the policies.*

**(iv) Has the board set a target date to submit a trading resumption proposal to SGX?**

*Reply: - The Board has not set a target date to submit the trading resumption proposal (“Proposal”) as this will be dependent on the finalisation of the Second Independent Review. The Proposal will be submitted within 12 months from the announcement of Second Independent Review report.*

*Meanwhile, the Company is preparing the Proposal and will update the Shareholders once the Proposal has been submitted to SGX.*