



KOH BROTHERS ECO ENGINEERING LIMITED

(Unique Entity Number: 197500111H)
(Incorporated in Singapore)

RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS") FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2024

The Board of Directors (the "**Board**") of Koh Brothers Eco Engineering Limited (the "**Company**") refers to:

- (a) the annual report of the Company for the financial year ended 31 December 2023;
- (b) the notice of annual general meeting ("**AGM**") issued on 11 April 2024 informing shareholders that the Company's AGM will be convened and held by way of a physical meeting on Monday, 29 April 2024 at 10.00 am; and
- (c) questions received from SIAS on 18 April 2024 and shareholders ahead of the Company's Annual General Meeting to be held on 29 April 2024 at 10.00 am.

The Company would like to thank shareholders and SIAS for submitting their questions in advance of our AGM. Please refer to **Appendix A** for the list of questions received from shareholders and SIAS, and the Management's and the Board's responses to these questions.

By Order by the Board

Shin Yong Seub
Executive Director and Chief Executive Officer

24 April 2024

This document has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST 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.

The contact person for the Sponsor is Mr. Ng Joo Khin (Telephone number: 6389 3000; Email address: jookhin.ng@morganlewis.com).

APPENDIX A
KOH BROTHERS ECO ENGINEERING LIMITED
RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND SIAS

Q1. For the financial year ended 31 December 2023, the group reported a loss attributable to shareholders of \$(15.17) million. The bio-refinery and renewable energy business (under Oiltek) appears to be doing well.

Based on Note 4 and Note 28, revenue in the engineering and construction segment decreased by over 26% to \$117.9 million. The segment reported a loss of \$(16.7) million in 2023. In the previous year, the segment profit was \$671,000 when revenue was \$160.4 million.

(a) Can management identify the specific projects, and the challenges, within the engineering and construction segment that encountered cost overruns and delays?

Due to confidentiality reasons, we are unable to disclose the specific projects that were finalised as well as those that encountered cost overruns and delays.

Given the ongoing supply chain disruptions and labour shortage, foreseeable challenges in the coming year include higher material, manpower and subcontractor costs. While some construction projects have got back on schedule, others are experiencing delays. To address this, the Company is closely monitoring the progress of all projects, optimising resource allocation and enhancing communication with stakeholders to mitigate delays.

(b) How has the management team analysed the reasons behind these cost overruns and delays?

The management team has analysed and identified the reasons behind the cost overruns and delays. This involved assessing various factors including Covid-19 disruptions, global supply chains disruptions, increase of labour cost and materials, and construction variations related to unforeseen construction conditions.

(c) What operational improvements and workflow changes have been implemented to improve efficiency and mitigate the risk of recurrence of such setbacks in the future?

Steps taken include incorporating value engineering, design optimisation and change in construction methods for time and cost savings. In addition, we took measures to reduce cost by way of direct operation, strategic collaborations with subcontractors and suppliers.

(d) Could management provide a detailed breakdown, such as using a waterfall chart, to illustrate the profit and loss trajectory of the engineering and construction segment? This breakdown would show how the segment generated revenue of \$117.9 million but eventually incurred a loss of \$(16.66) million.

28. Segment information (continued)

(a) Analysis by Reportable Segment (continued)

The Group's income tax expense and income tax payable are not allocated to any specific segment.

Group	Engineering and Construction S\$'000	Bio-Refinery and Renewable Energy S\$'000	Total S\$'000
2023			
Revenue			
External	117,850	59,168	177,018
Results			
Segment results	(16,659)	7,124	(9,535)
Share of profit of associated companies	187	-	187
Interest income			629
Finance expense			(2,858)
Income tax expense			(1,804)
Loss after income tax			(13,381)

(Source: company annual report)

The Company has explained the loss in its full year announcement dated 9 February 2024 paragraph 4(d). The loss was mainly due to prolonged construction periods for certain projects, which consequently led to higher material, manpower and subcontractor costs. Because of commercial sensitivity, we are not able to disclose any further details.

- (e) What are management's top priorities for FY2024 aimed at returning the segment to profitability?

The Group will continue to actively monitor the progress and costs of the construction projects and will also continue to tender for construction projects where we have a competitive advantage, requisite track record, experience and capabilities. The Group will selectively team up with strong partners for tenders, and improve technical and financial strength. In the meantime, the Group will actively continue to work closely with our clients to finalise variation orders.

Q2 On 4 December 2023, the company announced that certain subsidiaries of the company were recently the target of a cyber-attack which resulted in unauthorised access to, and the encryption of, certain of their servers

- (a) Can management provide an update on the cybersecurity incident? Is there evidence that the hacker(s) intentionally targeted the group?

As previously stated in the Company's announcement dated 4 December 2023, the cybersecurity incident (the "Incident") had been promptly contained and, based on endpoint detection and monitoring tools deployed throughout the Group's servers and systems, there has been no evidence of the threat actor being active in the Group's network environment since that date. The Group's business continues to be operational. Based on forensic investigations, there is no indication that this was a targeted attack on the Group. Rather, it may have been the case that the threat actor was targeting the third-party vendor's equipment as a means of ingress into the Group's system/network.

- (b) How did the hackers manage to gain access to the group's system?

As stated above, the threat actor had entered the Company's system/network through equipment which was solely maintained and managed by a third-party vendor.

- (c) What improvements have been implemented in the group's IT network and infrastructure to prevent future incidents?

The Company has carried out extensive IT network and infrastructure redesign and rebuilding, incorporating features aligned with updated cybersecurity principles such as improved detection systems and network segmentation. These enhancements are operational and have enhanced the Group's network security. Additionally, the exploited interface has been eliminated.

- (d) Is management actively enhancing cybersecurity awareness and providing training for its staff?

The Company recognises that staff awareness and behaviour are important to mitigating many cybersecurity threats, and has implemented various measures, including training, to augment this. The Company has also included cybersecurity training in its employee onboarding segment, so as to improve risk awareness.

- (e) Has the company also shared its insights with Oiltek even though it appears that Oiltek was not affected in the December 2023 incident?

Oiltek is aware of the Incident to the extent permissible, subject to confidentiality or regulatory constraints. Practices, refinements, and enhancements from restoration efforts and incident learning will be shared throughout the Group to improve the Group's overall cybersecurity posture.

Q3 The sustainability report can be found on pages 13 to 24 of the annual report. The board has established Enterprise Risk and Sustainability ("ERS") Committee that reports to the Audit and Risk Committee (ARC) on a regular basis.

- (a) What is the size and composition of the ERS Committee?

Based on materiality assessment, the group has identified the following twelve material economic, environment, social and governance ("EESG") factors.

Sustainability Focus Area	Material EESG Factors	GRI Topic Specific Disclosure
Economic	Economic performance	
Environmental	Energy Consumption	302-1, 302-3
	Water Consumption	303-1, 303-3
	Emissions	305-1, 305-2
	Waste Generation	306-1, 306-2, 306-3
Social	Employment	401-1, 2-7
	Occupational Health and Safety	403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9
	Training and Education	404-1
	Diversity and Equal Opportunity	405-1
	Non-Discrimination	406-1
Governance	Compliance with Laws and Regulations	2-27
	Anti-Corruption	205-3

The ERS Committee, which reports to the Board and mainly comprises relevant members from the Senior Management team, is responsible for setting the direction of corporate risk management and monitoring the implementation of risk management policies and procedures.

- (b) Emissions [GRI 305-1, 305-2]: What challenges are the board facing in establishing meaningful targets for reducing Scope 1 & 2 GHG emissions? The group has been tracking and monitoring total GHG emissions without specific targets for reduction.

Due to the complex nature of construction projects, it has been challenging to obtain certain data sets from our sites / entities.

Since FY2023, we have expanded the data collection for emissions to include diesel consumption which will allow us to have a better understanding of our Scope 1 and 2 emissions. We will monitor our Scope 1 and 2 emissions to ensure the baseline data is more complete before setting targets in future.

- (c) Occupational health and safety [GRI 403-9]: Has the board reviewed the causes of work-related injuries and what strategies are in place to avoid such incidents? In addition, it was noted that the formula for recordable work-related injuries for FY2022 has been restated from 48.33 to 1.55 due to a new formula applied (footnote 12). How was the new formula determined and what was the reason for the change? What are some of the features of the group's HSE training that have proven to be effective?

In our board meetings, the board receive regular updates from our Senior QHSE director on all health and safety matters.

The formula for recordable work-related injuries for FY2023 is based on the formula specified in GRI 403-9. This was applied to ensure that the disclosures are aligned with GRI Standards.

Training sessions are held in different languages at project level. The inclusion of visual aids like video and graphics makes the information more relatable to the workers' learning capacities. For improved comprehension, interactive training sessions, workshop, real life examples and case studies have been added in place of text-driven instruction.

Further details are set out on page 20 of the annual report.

- (d) Anti-corruption [GRI 205-3]: The group has a zero-tolerance policy towards corruption, fraud and bribery, with measures put in place to prevent, detect, and investigate such activities through a whistle-blowing policy. For the avoidance of doubt, the company reported zero confirmed incidents of corruption reported to management (2022: zero). How does the company foster a culture of transparency and ethical conduct from the top down, and what actions are taken to continuously reinforce this tone at all levels of the organisation?

To foster a culture of transparency and ethical conduct from the top down, we have initiated measures to help prevent, detect and investigate any of such activity through our whistle-blowing policy.

Employees may, in confidence, raise or report genuine concerns about possible improprieties in matters of business activities, financial reporting or other matters they may encounter without fear of retaliatory action to the Audit and Risk Committee. We are committed to ensure anonymity and protection of the whistle-blower against detrimental or unfair treatment. Only the Independent Directors of the Audit and Risk Committee of the Company have been appointed to review and carry out investigations on all such complaints and/or concerns raised.

Additionally, we are dedicated to working with our business partners, suppliers and contractors to ensure that they adhere to the same high standards of integrity and ethics that we strive for. We believe that helping to create an environment where everyone can benefit from fair and ethical business practices aligned with our general sustainability direction.

- Q4. Has the company found the replacement sponsor for Stamford Corporate Services? What is the current progress of the search process? Please elaborate.

The Company is in the process of searching for a replacement sponsor and is conducting due diligence to ensure a thorough evaluation. Timely updates will be provided upon finalisation to facilitate a smooth transition.

- Q5. Would Koh Eco consider upgrading to the Mainboard and hence do away with the requirement of needing a sponsor? What are the pros and cons of staying listed in the Catalist Board versus the Mainboard? Has the company weighed them? Please explain and elaborate.

The Company has not considered this at the moment. However, the transition from Catalist board to Mainboard involves careful consideration of various factors including regulatory compliance, market positioning and market conditions. Should the Company decide to undertake this exercise, shareholders will be advised accordingly.

- Q6. Despite making a huge loss of \$15.173million and not paying shareholders any dividends, directors fees were maintained at \$284.5k. Shareholder alignment is an essential component of corporate governance, as it ensures that the interests of shareholders are aligned with those of the company. When shareholders are aligned with the company's objectives, they are more likely to invest in the company and support its growth. Does the company believe in the principle of shareholder alignment? Given that the company made a huge loss, dividends were non-existent, but yet director fees were maintained and not reduced (and possibly management remuneration went up too), how is it congruent with the spirit of shareholder alignment? Please explain and elaborate clearly.

The decision to maintain Directors' fees was made after the Remuneration Committee ("RC") took into account, amongst others, the remuneration of board members of other comparative listed issuers. The RC ensures that the Executive Director's and key Management members' remuneration is commensurate with their performance and that of the Group's, taking into consideration the prevailing financial and commercial health, contribution to value creation of the Company and business needs of the Group. In recommending directors' fees of S\$284,500 for FY2023, the Board took into account factors such as the effort and time spent, and the increasingly onerous responsibilities of the Directors.

The Company acknowledges the importance of Shareholder alignment as it plays a critical role in determining business' long-term viability. To build shareholders' trust and confidence, we actively engage shareholders on a consistent basis to understand their needs and expectations and strive to respond to their concerns in a timely manner. For instance, the Company invites all registered shareholders to participate and vote at the Company's general meetings.

Additionally, the Board assumes responsibility for the stewardship of the Group. Its primary objective is to protect and enhance shareholder value.

The Company strives to provide consistent and sustainable dividend payments to shareholders based on the Company's profitability, cash position, working capital needs, capital expenditure plan, investment and business opportunities and market conditions. It aims to balance returns to shareholders with a need for long-term sustainable growth.

The Company remains committed to shareholders' alignment and strives to balance the needs and interests of all stakeholders while navigating through challenging times.

Q7. Why is there an increase in the number of key management personnel? Could you please kindly explain.

Key management personnel is increased as a result of corporate restructuring and reorganisation. The exercise is undertaken from time to time.

Q8. I note that the recent land sales are very muted, with many land tenders receiving only one bid. Is the tepid demand for land tenders a bad omen for the construction and engineering sector in Singapore? Can the company please comment on the implications for the company? Please explain and elaborate.

We noted the recent land sales are primarily for residential development. The Company is primarily involved in civil engineering infrastructure projects.

Q9. Will the company return to profitability next year? Or does the company foresee 2024 to be a similarly bad year? Please share your thoughts and comments.

We are not at liberty to provide profitability forecasts. However, we remain cautious on the high interest rate environment along with inflationary pressures that may dampened the outlook of a full recovery.