



KOH BROTHERS GROUP LIMITED
(Company Registration No. 199400775D)

RESPONSES TO SHAREHOLDERS AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) ON SUBSTANTIAL AND RELEVANT QUESTIONS FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 26 APRIL 2022

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

- (a) the annual report of the Company for the financial year ended 31 December 2021;
- (b) the notice of annual general meeting ("**AGM**") issued on 11 April 2022 informing shareholders that the Company's AGM will be convened and held by way of electronic means on Tuesday, 26 April 2022 at 3.00 pm; and
- (c) the accompanying announcement issued by the Company on 11 April 2022 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

The Company would like to thank the 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, SIAS and the Management and the Board's responses to these questions.

By Order of the Board

Koh Keng Siang
Managing Director & Group CEO

21 April 2022

**APPENDIX A
KOH BROTHERS GROUP LIMITED
ANNUAL GENERAL MEETING FY2021
Q&A SEGMENT**

No.	Question	Response
1.	<p>In the real estate segment, the group is a niche boutique developer with ongoing projects, such as Van Holland (a luxurious freehold development at Holland Village) and Hyll on Holland (20:80 partnership with Far East Consortium). As noted in the statement by the executive chairman and the managing director & Group CEO, the latest round of property cooling measures have impacted the additional buyer's stamp duty for both individuals and developers, and further tightened the total debt servicing ratio and loan-to-value ratio for financing purposes. (i) Has management evaluated the sale progress of the main development project, Van Holland? Is it satisfied with the sales progress? (ii) Please provide shareholders with an overview of its major projects, e.g. Van Holland and Hyll on Holland, and include key details such as number of units, sales progress etc. It is common practice for listed real estate developers on SGX to update shareholders and investors on the sale progress regularly. (iii) What is the impact of the additional cooling measures on the level of interest on the group's properties? (iv) Has the board considered the group's real estate development strategy? What emphasis has the board put on management to achieve reasonably good sales figures so as to de-risk the project and to crystallise the developer's margin? In this case, based on public information, about 26 out of the 69 units have been sold since the launch, and about 50% of the sales (13 units) in the past 12 months. (v) In addition, can management provide shareholders with an update on the returns of the now-completed Nonhyeon I'Park</p>	<ul style="list-style-type: none"> • Management is constantly monitoring and reviewing the sales progress of Van Holland. • Since the beginning of this year, 5 units have been sold in Van Holland. We are encouraged by this progress and maintain a cautiously positive outlook on this development. To date, approximately 38% of the units in Van Holland have been sold since the launch in 2020. • Generally, the additional cooling measures have impacted the residential real estate market. However, the Group has established itself as a niche boutique developer and will continue to incorporate interactive marketing strategies and digital tools to present and market our projects. • The Nonhyeon I'Park project has been completed and fully sold. The returns from this project are in line with our expectations. • We are open to more developments in South Korea when the right opportunity presents itself. • As part of our strategy, the Company is looking at development and investment properties as the latter provides for a recurring source of income.

	<p>project? Were the returns in line with the projections used in the board approval process? Is the group looking for more development opportunities in South Korea?</p>	
2.	<p>As noted in Note 34(d) (page 119 – Financial risk management: Capital risk), the group has net debt of \$251.1 million and shareholders’ funds of \$287.1 million. The gearing ratio as at 31 December 2021 stands at 0.87 times, a slight improvement from 0.90 times a year ago. The group has once again increased its “investment securities” exposure to over \$13.4 million as at 31 December 2021, up from \$4.3 million a year ago (Note 13 Investment securities; pages 84 to 86). The “acquisition” was due to the “conversion of notes into quoted equity securities”, amounting to \$13.1 million. The group recognised a \$(4.2) million fair value loss in other Page 3 of 4 comprehensive income. This relates to the group’s financial assets at FVOCI which are equity securities in the USA. (i) Can the audit and risk committee (ARC) help shareholders understand if it has approved the “investment” into equity-linked notes? Are these speculative in nature? Is the “investment” in these derivative products aligned with the group’s strategic objectives? (ii) What is the level of oversight by the ARC and are there robust risk management framework in place to prevent speculation? (iii) Would the ARC be leading an independent review to see how it could improve its working capital (and cash) management and declare a special dividend/capital reduction to right size its balance sheet and to return excess capital to all shareholders?</p>	<ul style="list-style-type: none"> • As a group strategy, we are investing the temporary surplus cash in investment securities such as financial assets, at Fair Value through Other Comprehensive Income (FVOCI) or equities to generate additional flows of income before further deployment of the funds. The investment is not part of the Group’s core operations. • The Group has in place an investment policy that has been reviewed and approved by the Audit and Risk Committee (“ARC”). The investment in such financial assets was presented to the ARC for their review as part of the financial statements.
3.	<p>The board is made up of 13 directors comprising 5 executive directors, 1 non-executive and non-independent director, and 7 independent directors. The group has total and net assets of \$829 million and \$343 million respectively. For reference, another listed real estate company with total assets of \$23.9 billion has a 9- member board, 6 of whom are independent</p>	<ul style="list-style-type: none"> • We do not institute a maximum number of board representation. • As stated on page 27 of the Annual Report, the Directors of the Company have been appointed based on their calibre, expertise and experience. Incumbent Board members comprise business leaders and professionals with finance, legal and industry knowledge. The Nominating Committee (“NC”) had considered,

<p>directors. A financial institution with total equity of over \$57 billion has 10 directors on their board, 6 of whom are independent directors. (i) Can the board/nominating committee help shareholders understand if it had reviewed the size of the board? What was the process and what were the key findings? (ii) How did it assess if the board size is appropriate to facilitate effective decision making given the scope, nature and requirements of the group's business and operations? At the forthcoming AGM, the following directors will be offering themselves for re-election:</p> <p>Koh Tiat Meng Koh Keng Siang Koh Keng Hiong Lee Sok Khian John Ong Seet Joon Ong Kheng Chye Goh Mou Lih</p> <p>(iii) Can the NC elaborate further on the process for the re-election of incumbent directors (Principle 4 – Board membership; Code of corporate governance 2018)? In particular, did the NC assess the performance of each director, consider the current needs of the board and make its recommendation for the re-appointment of the abovementioned directors? (iv) Would the directors seeking their re-election help shareholders better understand their (individual) contribution to the group and their effectiveness as director?</p>	<p>amongst others, the skills, knowledge and experience required of the Board, in light of (a) the geographical spread and diversity of the Group's business; (b) the strategic direction and progress of the Group; (c) the current composition of the Board; and (d) the need for independence. The Board, taking into account the views of the NC, is satisfied that a board size of 13 directors, with the majority of members being independent, is appropriate and effective, and that it comprises Directors who have an appropriate mix of expertise and experience, and collectively possess the necessary core competencies to lead and govern the Group effectively.</p> <ul style="list-style-type: none"> • It has been disclosed on Page 28 of the Annual Report that important issues considered by the NC for the selection, appointment and re-appointment of Directors include ensuring the right balance of skills, knowledge and experience critical to the Group's business and evolving needs as well as each Director's contributions and competencies. • The NC reviews the Board's and each Director's competency as part of the process adopted to assess the effectiveness and performance of the Board. The NC also reviews each individual Director's performance based on factors such as the Director's participation, knowledge of the Group's business and operations, contributions and commitments to the Company. The outcome of the appraisal exercise is presented to the Board for its evaluation with a view to enhance the effectiveness of the Board. • In respect of FY2021, the NC had assessed the performance of each Director, including the competencies of the Directors undergoing re-election at the forthcoming annual general meeting, and was satisfied that each such Director possessed the necessary skills, knowledge and experience critical to the Group's business and evolving needs, and had therefore made its recommendation to the Board for their re-appointment as directors. • The new Independent Directors were only appointed on 1 January 2022 and will retire by rotation pursuant to Regulation 114 of the Company's Constitution. The Board will review their continuing
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		<p>performance and contribution in the current year. For the rest of the incumbent Directors, they will retire by rotation pursuant to Regulation 110 of the Company's Constitution. These Directors have discharged their duties well and have continued to contribute positively to the Group.</p> <ul style="list-style-type: none"> Collectively, the Directors seeking re-election bring with them a broad range of industry knowledge, expertise and experience in areas such as construction, real estate, leisure & hospitality, accounting, technology and business development, all of which are relevant to the Group's corporate affairs, operations and development.
4.	What is the current lease on Sun Plaza left? What is the Group's share of the property based on the latest revaluation?	<ul style="list-style-type: none"> Sun Plaza has a leasehold term of 99 years from 26 June 1996, and the remaining lease term is 74 years and 6 months as at 31 December 2021. The said property was valued at S\$372 million as at 31 December 2021 of which the Group's share is S\$186 million.
5.	What are your plans for Alocassia Apartments?	<ul style="list-style-type: none"> The Alocassia Apartments is strategically located in the prime district of Singapore at Bukit Timah. It is near major transportation nodes and has a freehold tenure. It will be an attractive location for home buyers and investors. We are open to opportunities to maximise the potential of Alocassia Apartments.
6.	What are the percentage of units sold for Nonhyeon I'Park and Van Holland? Van Holland will obtain its TOP in 2023. As of now, it is less than half sold. Is the market's response to the company's new launch in line with management expectations? Why was the response to the company's new condominium project so lacklustre? What is the company doing to improve sales for its Van Holland project?	<ul style="list-style-type: none"> Nonhyeon I'Park has been fully sold and Van Holland is 38% sold as at 31 March 2022. Notwithstanding the recent cooling measures, we believe that there are potential buyers in the market who are keen to acquire units in Van Holland. We have already put in place various marketing strategies such as digital marketing and participation in marketing events. We have managed to sell 5 units in Van Holland since the beginning of this year.

7.	With rising costs in labour, raw materials and transportation, what are the actions taken by the Company to mitigate these?	<ul style="list-style-type: none"> • The Company constantly reviews and sources its supplies from different market sources including from non-traditional markets. We continue to scrutinise and manage our project costs by locking in prices for key supplies, wherever possible. • We are also working with our subcontractors to secure foreign workers directly to deploy them to our various projects through different avenues. • Our diversified expertise in engineering, procurement, construction services and direct capabilities will place the Company in a better position to manage our operating costs and capital expenditure while raising productivity through technology for greater resiliency and sustainable growth.
8.	Is the Construction industry back to its pre COVID-19 level since the Government has relaxed some of the COVID-19 measures?	<ul style="list-style-type: none"> • The easing of some of the COVID-19 measures have brought some relief. Notwithstanding this, high energy prices have pushed the prices of raw materials. • Although recent industry-led pre-departure preparatory programme involving pre-arrival testing and isolation in a worker's home country has alleviated part of the manpower crunch, the more pressing issue is a shortage of skilled workers. • Furthermore, the war in Ukraine has led to a volatility in prices of commodities such as steel, copper and diesel. In addition, volatility in oil prices may have had a significant impact on steel prices. • The construction industry remains challenging. With uncertainties resulting from the COVID-19 pandemic, supply chain disruptions and geopolitical risks, it is premature to ascertain at this point in time if the construction industry has returned to its pre COVID-19 level.