KHONG GUAN LIMITED
(Company Registration No. 196000096G)
(Incorporated in the Republic of Singapore)

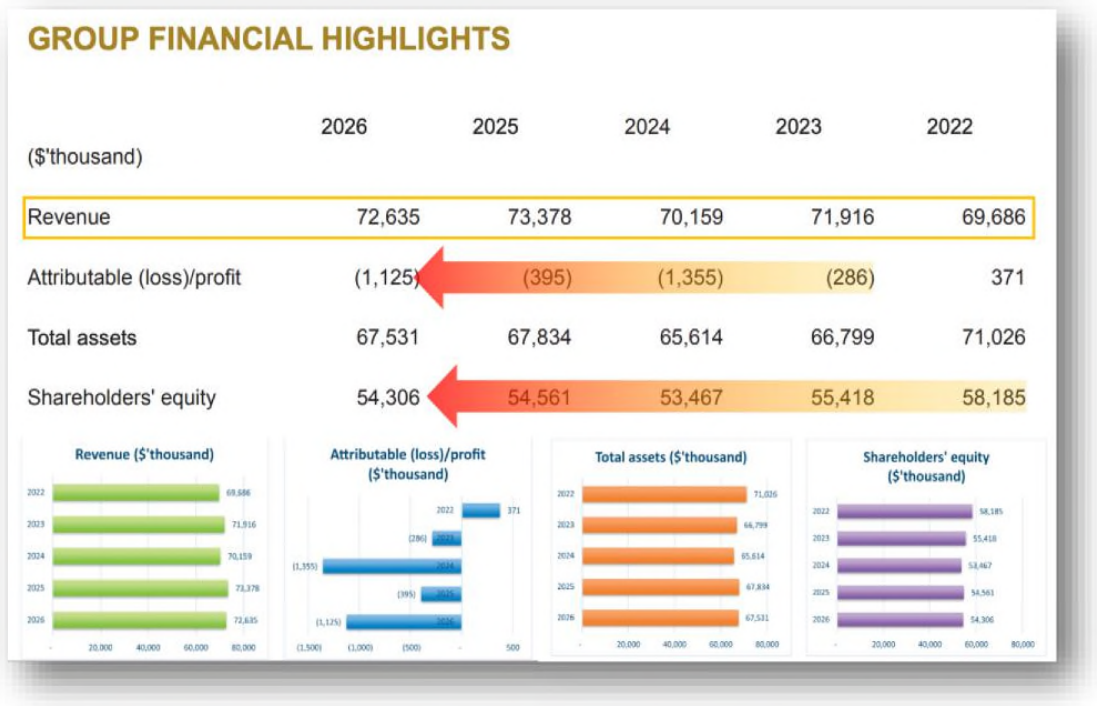
RESPONSE TO QUERIES RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS") AND SHAREHOLDER ON ANNUAL REPORT OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 JULY 2026

The Board of Directors of Khong Guan Limited (the "Company") in response to the queries raised and wishes to provide the information as follows:

SIAS Queries:

Q1. As noted in the chairman's statement, Tong Guan Food Products Sdn. Bhd. recorded a 1.6% decline in revenue to RM141.8 million, mainly due to lower sales of biscuits and cooking oil products. Swee Hin Chan Company Sdn. Berhad reported a 10.8% decline in revenue to RM82.6 million, primarily due to lower selling prices and sales volumes for starch products. The group also holds a 30% stake in United Malayan Flour (1996) Sdn. Bhd. (UMF), which is accounted for as an associate.

Over the past five years, the group's growth appears to have stagnated, with losses attributable to shareholders reported in the past four years and a shrinking shareholders' equity base.

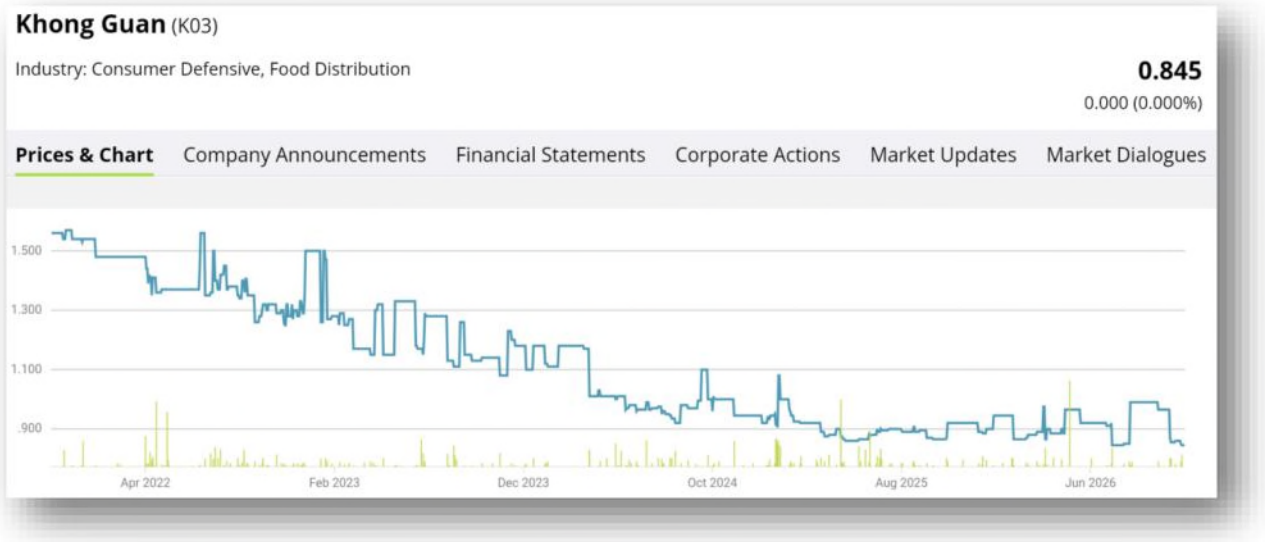


GROUP FINANCIAL HIGHLIGHTS

($'thousand)	2026	2025	2024	2023	2022
Revenue	72,635	73,378	70,159	71,916	69,686
Attributable (loss)/profit	(1,125)	(395)	(1,355)	(286)	371
Total assets	67,531	67,834	65,614	66,799	71,026
Shareholders' equity	54,306	54,561	53,467	55,418	58,185

(Source: company annual report; emphasis added)

With the STI hitting new all-time highs in recent months, the company's share price has steadily declined over the years and last traded at around $0.85 per share. According to SGX StockFacts, the price-to-book value ratio is approximately 0.4 times.



(Source: https://investors.sgx.com/market/securities?code=K03&type=stocks&lang=en)

(i) Can the executive directors articulate the company's investment merits and the strategy for restoring sustainable growth and profitability? In addition, what are the group's competitive advantages, and which specific growth opportunities does management intend to pursue over the next three to five years?

Company's Response :

The Executive Directors acknowledge the Group's recent performance and the need to restore sustainable profitability and improve shareholder returns.

In FY2026, Tong Guan Food Products Sdn. Bhd. ("TGF") remained profitable despite lower revenue, while Swee Hin Chan Company Sdn. Berhad ("SHC") returned to profitability. The Group's investment merits include (1) TGF's established FMCG distribution network in Sabah, (2) SHC's longstanding expertise in food-ingredient distribution in Malaysia, (3) their extensive customer reach through established distribution networks and strong supplier and brand-principal relationships, and (4) the Group's 30% interest in United Malayan Flour (1996) Sdn. Bhd. ("UMF"), which provides strategic exposure to markets for wheat flour, oats, pulses and cooking oil.

Over the next three to five years, subject to market conditions and unforeseen developments, Management intends to focus on higher-margin products, improved product mix, wider distribution coverage, operating efficiency and new brand and distribution partnerships at TGF and SHC, with a view to supporting revenue growth while managing costs. At UMF, its management team will continue to focus on improving milling competitiveness, optimising supply-chain operations and pursuing targeted value-chain improvements to strengthen profitability, under the oversight of UMF's Board. Federal Oats Mills Sdn. Bhd. ("FOM"), a subsidiary of UMF, invested in a beverage factory as part of its business diversification efforts, with opportunities to broaden its product offerings and enhance purchasing and distribution efficiencies.

The Board will assess complementary growth, M&A and strategic divestment opportunities against commercial prospects, funding needs, expected returns and their potential to improve capital efficiency or shareholder value.

(ii) How does management intend to communicate the group's investment merits and growth strategy to the capital market and investors?

Company's Response :

The Company communicates its financial results and business developments through SGXNet announcements, annual reports, its corporate website and general meetings. Management will continue to use these channels to explain the Group's businesses, strategic priorities and progress more clearly.

The Company will review its investor-relations arrangements in light of the SGX-ST requirements taking effect on 1 January 2027. Any additional investor briefings or engagement activities will be considered where appropriate.

The three executive directors on the board are Mr Chew Soo Lin, Mr Chew Kian Boon Daniel and Mr Chew Kian Hong Michael.

(iii) How are their respective responsibilities and decision-making authority delineated? Is there any overlap in their executive roles, and who has ultimate accountability for the group's overall P&L performance and the delivery of its turnaround strategy? Are all three executive directors engaged on a full-time basis in managing the group's affairs, and what are their respective time commitments?

Company's Response :

Mr Chew Soo Lin, as Executive Chairman, leads the Board, facilitates its effectiveness and constructive discussions, guides the Group's strategic direction and oversees Group-level financial performance and corporate governance.

Mr Chew Kian Boon Daniel oversees the Company's day-to-day operations, Group ESG matters and key raw-material procurement for UMF.

Mr Chew Kian Hong Michael supports Group business development, while his principal executive responsibilities are as Managing Director of TGF and UMF.

All three Executive Directors are engaged on a full-time basis in managing the Group's affairs, with responsibilities reflecting their respective business and functional roles. Each is accountable for execution and performance within his assigned responsibilities. The Executive Chairman provides overarching strategic leadership and oversees Group financial performance, while major decisions remain subject to the relevant Board and entity-level approval processes. Financial, operational and technology-related risks are managed through the Group's respective operating and functional teams, with oversight by the Board and Audit Committee.

(iv) Given the erosion of shareholders' equity from $58.2 million to $54.3 million, how does the board assess the group's ability to generate adequate returns on its capital base? What measures are being taken to improve capital efficiency, and how does the board ensure that further capital is not allocated to businesses or activities that consistently fail to generate acceptable returns?

Company's Response :

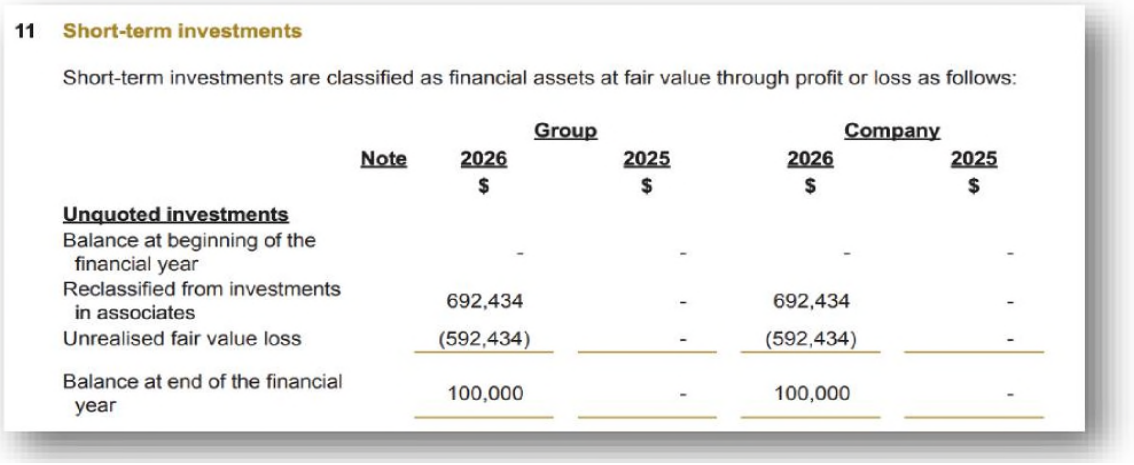
The Board acknowledges that the decline in shareholders' equity and the Group's recent losses require improved returns on capital. The Board works with Management to improve profitability through procurement discipline, operating cost efficiency and working-capital management.

Material investments, acquisitions and disposals are assessed with regard to financial performance, business prospects, funding requirements, expected returns, risks and alternative uses of capital, subject to the relevant approval processes. Major proposals at UMF, a 30%-owned associate, are evaluated through UMF's own governance arrangements, including financial feasibility and projected investment returns. Underperforming investments may be restructured or disposed of to improve returns, where commercially justified.

Q2. During the year, the group ceased to account for SGProtein Pte. Ltd. (SGP) as an associate following the dilution of its shareholding from 21.03% to 19.96% and changes in board representation, resulting in the loss of significant influence.

The dilution arose from an increase in SGP's share capital following the conversion of share options and the issuance of new shares to a new investor. The increase in the number of shares issued was approximately 204,949, representing approximately 5.36% of the relevant share base.

Prior to the reclassification, the group recognised a loss on deemed disposal of $(1,707,566), reducing the carrying amount of its investment in SGP from $2.4 million to $692,434. The investment was subsequently reclassified as a financial asset at fair value through profit or loss, with a carrying value of $100,000, and a further unrealised fair value loss of $(592,000) was recognized.



11 Short-term investments

Short-term investments are classified as financial assets at fair value through profit or loss as follows:

	Note	Group		Company	
		2026	2025	2026	2025
		$	$	$	$
Unquoted investments					
Balance at beginning of the financial year		-	-	-	-
Reclassified from investments in associates		692,434	-	692,434	-
Unrealised fair value loss		(592,434)	-	(592,434)	-
Balance at end of the financial year		100,000	-	100,000	-

(Source: company annual report)

(i) Can the audit committee provide shareholders with greater clarity on the basis for determining the carrying value of $692,434 following the loss of significant influence, which resulted in a deemed disposal loss of $1,707,566 from the previous carrying amount of $2.4 million? What valuation methodology, assumptions and inputs were used, and was an independent valuation obtained?

Company's Response :

The S$692,434 represented the Group's equity-accounted carrying amount of its retained 19.96% interest in SGP at the date of reclassification, derived from the previous carrying amount after recognising SGP's post-acquisition results and the effect of the relevant share issuances and dilution.

At Company level, the investment had been carried at a cost of S$2.4 million. Its remeasurement to S$692,434 resulted in a Company-level deemed-disposal loss of S$1,707,566.

At Group level, the carrying amount of S$902,420 as at 31 July 2025 was reduced by S$209,986, representing the Group's share of SGP's FY2026 losses, to S$692,434. As a cross-check, KGL's 19.96% share of SGP's NTA of S$3,579,672 based on SGP financial information dated 28 February 2026 was approximately S$714,503, about 3.2% above the carrying amount.

No separate independent valuation was commissioned. The carrying amount was assessed by Management using SGP's available financial information and the Group's accounting records.

(ii) At what valuation did the new investor subscribe for shares in SGP? Did the group have any pre-emptive or anti-dilution rights in relation to its SGP investment, and if so, on what basis did the board decide against making further investments into SGP?

Company's Response :

The 99,404 shares issued to the new investor were subscribed for at approximately S$5.03 per share, for an aggregate consideration of approximately S$500,000, under SGP's Series A funding arrangements.

KGL held general pre-emptive rights under Clause 4 of SGP's Shareholders' Agreement. KGL and the relevant shareholders consented to or waived the applicable rights in connection with the relevant new investor and employee-option issuances, subject to the terms of the Shareholders' Agreement. No separate anti-dilution adjustment was applied to those issuances.

KGL previously participated in SGP's FY2025 fundraising by subscribing for 179,013 shares for S$900,000, through cash payment and conversion of an existing shareholder loan. As disclosed in the FY2025 Annual Report, KGL's interest declined in stages from 30.00% to 21.03% during FY2025. The further new-investor and employee-option issuances in FY2026 diluted KGL's retained 804,013 shares from approximately 21.03% to 19.96%. In deciding not to make an additional equity investment, the Board considered SGP's performance

to date, its medium-term strategic plan and expected future funding requirements, KGL's minority position and the Group's capital priorities.

iii) **How was the current carrying value of $100,000, classified as a short-term unquoted equity investment (financial asset), determined, given the previous carrying value of $692,434 (as an associate)? What valuation methodology and assumptions were applied?**

Company's Response :

Upon the loss of significant influence over SGP, the Group ceased applying the equity method and reclassified its retained 19.96% interest as an unquoted equity investment measured at fair value through profit or loss under SFRS(I) 9. The investment was classified as a short-term financial asset because the Board was pursuing its disposal and expected it to be realised within 12 months.

The S$100,000 carrying value as at 31 July 2026 was determined using a fair-value approach. As disclosed in the FY2026 audited financial statements, the market-based assessment took into account SGP's adjusted net tangible assets and KGL's percentage shareholding. Management also considered SGP's financial position, its funding requirements and the indicative market evidence available in assessing the value of KGL's interest. The subsequent negotiated proposal for KGL's entire shareholding was considered additional supporting evidence, to the extent that it reflected conditions existing as at 31 July 2026, although the agreement in principle was reached after that date. The S$100,000 consideration related to the shares; reimbursement of KGL's shareholder loan and related interest was addressed separately. The resulting unrealised fair-value loss was S$592,434 against the previous carrying amount of S$692,434.

As an additional downside consideration, the Board examined the potential effect of SGP's proposed Rescue Financing Framework (the "Framework"). On the illustrative ownership basis of 19.86% used in that Framework, KGL's interest could have fallen to approximately 0.3256% if it did not participate in further funding. At the Framework's illustrative post-money valuation of S$610,000, that residual interest would have an indicative value of approximately S$1,986. This illustrated the potential further dilution and capital exposure if the Framework proceeded on its proposed terms without KGL's participation. The figures were illustrative and did not represent a completed transaction or a separate valuation of KGL's investment as at 31 July 2026. The same material terms of the subsequent proposed disposal were offered to SGP's eligible existing investor shareholders through the applicable right-of-first-refusal process, and no shareholder elected to acquire KGL's shares.

On 28 August 2026, the company reached an agreement in principle with Mr Michael Chew, an executive director, in relation to the proposed disposal of its 804,013 shares in SGP. Under the proposed arrangement, Mr Michael Chew or another purchaser acceptable to the company would acquire the shares for a consideration of not less than $100,000.

iv) Given the proposed transaction involves an executive director, how has the board assessed the fairness of the proposed consideration and managed the potential conflict of interest? What independent safeguards have been put in place to ensure that the disposal is conducted on an arm's-length basis and in the interests of the company and its shareholders?

Company's Response :

Mr Michael Chew disclosed his interest in the proposed disposal to the Board. He negotiated with KGL in his capacity as a prospective purchaser, but did not participate in the Independent Directors' deliberations and decisions on behalf of KGL concerning the proposed disposal.

The assessment was undertaken by the Independent Directors, who considered (1) SGP's historical performance and expected future funding requirements, (2) the potential dilution and indicative residual value under the proposed Framework, (3) KGL's financial exposure if it retained the investment, and (4) the terms available for an exit. They also considered the separate reimbursement of KGL's S$148,927 shareholder loan and applicable interest, in addition to the S$100,000 consideration for KGL's 804,013 shares.

The Board did not rely solely on Mr Michael Chew's offer. An earlier indicative expression of interest from an existing SGP shareholder was conditional upon KGL not participating in the proposed shareholder financing and did not provide definitive terms or transaction certainty. Mr Michael Chew subsequently made an offer to acquire KGL's shareholding in SGP, and following further discussions and negotiations with the Independent Directors, the proposed consideration was increased to S$100,000.

Pursuant to the right-of-first-refusal provisions in SGP's Shareholders' Agreement, KGL's entire shareholding was offered to the eligible existing shareholders on the same material terms. No shareholder elected to acquire KGL's shares.

Having considered the above factors and the measures taken to manage Mr Michael Chew's potential conflict of interest, the Independent Directors consider the proposed consideration commercially reasonable and the disposal to be in the interests of KGL and its shareholders, subject to the remaining applicable requirements.

Q3. In the chairman's statement, the board noted that no dividend had been recommended for FY2026, following the group's loss for the year. In FY2025, the group paid a dividend of $0.01 per ordinary share. The board considers it prudent to reinvest in the business to strengthen its financial position and support future growth initiatives.

The group's FY2026 loss was primarily attributable to the decline in the value of its investment in SGP. At the company level, dividends received from subsidiaries amounted to $1.16 million, with a further $0.34 million received from UMF.

Significant related party transactions (Continued)

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions with related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2026 $	2025 $	2026 $	2025 $
Purchases from				
- Associate	11,474,399	11,735,131	1,369,069	1,210,690
- Related parties	6,780,316	7,474,282	72,333	26,145
- Subsidiary	-	-	-	41,112
Dividends received from subsidiaries	-	-	1,160,130	845,875

(Source: company annual report)

(i) What has been the total shareholder return over the past 5, 10, 15 years, and since 23 August 2007? Has the board reviewed the company's long-term shareholder returns and how does the board assess the performance and value creation?

Company's Response :

Based on historical closing prices and assuming reinvestment of dividends, KGL's estimated cumulative total shareholder returns as at 11 November 2026 were −37.2% over five years, −54.4% over ten years, −22.9% over 15 years and −34.3% since 23 August 2007.

The Board has considered these historical shareholder returns and acknowledges that, despite dividends paid, long-term returns have been affected by the decline in KGL's share price. The Board continues to consider the Group's performance and capital allocation with a view to sustainable shareholder value creation, including improving profitability and returns on capital and, where commercially appropriate, restructuring, strategic divestments or complementary investment opportunities.

At the company level, retained profits of $2.6 million have turned into an accumulated loss position of $(53,548) as at 31 July 2026.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 JULY 2026

	Note	GROUP 2026 $	GROUP 2025 $	COMPANY 2026 $	COMPANY 2025 $
EQUITY AND LIABILITIES					
Equity					
Share capital	17	33,278,673	33,278,673	33,278,673	33,278,673
Capital reserve	18	129,359	175,545	-	-
Foreign currency translation reserve	19	(501,968)	(1,676,095)	-	-
Retained profits		21,400,040	22,783,263	(53,548)	2,614,485

(Source: company annual report; emphasis added)

(ii) Given the company's persistent losses and the board's intention to reinvest capital, how does the board assess the merits of retaining and deploying further capital rather than returning capital to shareholders? What financial and strategic criteria must investments meet before capital is committed? Has the current management team demonstrated a track record of value creation through the group's operations and investments?

Company's Response :

In considering whether to retain or return capital, the Board takes into account the Group's working-capital and liquidity requirements, existing financial commitments, dividend-paying capacity and cash-flow outlook, alongside financial performance, capital requirements and strategic priorities.

Before committing capital, the Board considers an investment's strategic fit, funding requirements, expected returns and principal risks. It also considers whether continuing support is justified and may limit further funding, restructure or divest where the prospects no longer support additional exposure.

The Board recognises TGF's continued profitability and SHC's return to profitability in FY2026. However, the Group's operating results and investment performance have not consistently translated into satisfactory Group-level returns or shareholder value. Management's performance will continue to be assessed against sustained profitability, cash generation, returns on capital and its willingness to restructure or exit low-return investments where commercially justified.

(iii) Has the board undertaken a formal assessment of the company's optimal capital structure and the level of cash required to fund its operating needs?

Company's Response :

The Company has not undertaken a separate formal study of its optimal capital structure or adopted a fixed cash-balance or gearing target. Nevertheless, the Board reviews the Group's liquidity and capital requirements through annual budgeting, cash-flow forecasting and ongoing assessment of working capital, capital expenditure and funding commitments, taking account of trading volumes, inventories, receivables, market conditions and potential business opportunities.

The Group's trading and distribution businesses require liquidity to fund inventories, receivables and operating obligations, which fluctuate with market conditions. The Board will continue to assess the balance between financial flexibility, capital efficiency and shareholder returns.

(iv) With more than $4 million in fixed deposits and cash and bank balances, has the board deliberated on a capital reduction to right-size its balance sheet and to allow shareholders to make their own capital allocation decisions?

Company's Response :

At 31 July 2026, the Group held approximately S$4.16 million in fixed deposits, cash and bank balances, of which approximately S$2.97 million was held at Company level. The balance was held within operating subsidiaries to support working-capital and operational requirements. These amounts are not automatically surplus cash available for distribution, having regard to liabilities, financial commitments and funding needs.

The Board previously discussed the possibility of returning surplus cash to shareholders as part of broader deliberations on capital allocation and strategic alternatives. Those discussions were preliminary; no specific method, amount or timetable for a capital return was approved. Any future proposal would take into account available liquidity, operating needs and applicable regulatory and shareholder-approval requirements.

Shareholder Queries

Q1 In light of recent media reports concerning suspected work pass offences and alleged false CPF declarations, my questions for the Audit Committee concern the Group's Singapore operations:

(a) Over the past five years, has the Group noted any similar incidents, including among its contractors or subcontractors?

(b) If inflated wage-related claims or charges were identified in connection with those operations, how much (if any) did the Group overpay its contractors or subcontractors, and how much has it recovered?

Company's Response :

Khong Guan Limited is principally an investment holding company. The contractors engaged by the Company for its Singapore premises mainly provide routine building maintenance and services, including electrical works, lift maintenance, cleaning, security and fire safety.

Management and Finance have confirmed that they have not received any adverse reports or concerning feedback relating to work pass irregularities, false CPF declarations or similar employment-related matters, including inflated wage-related claims, involving these contractors over the past five years.

Accordingly, there are no reported amounts of overpayments or recoveries arising from such matters. The Company will continue to exercise appropriate oversight of its contractors in the ordinary course of its operations.

BY ORDER OF THE BOARD
CHEW KIAN BOON DANIEL
Executive Director
19 November 2026