LEY CHOON GROUP HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198700318G)

RESPONSES TO QUESTIONS FROM
THE SECURITES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors ("**Board**") of Ley Choon Group Holdings Limited ("**Company**", together with its subsidiaries, the "**Group**") refers to the queries from the Securities Investors Association (Singapore) ("**SIAS**") received on 21 July 2026, with reference to the Company's announcement dated 15 July 2026 on the Company's Annual Report for the financial year ended 31 March 2026 ("**FY2026**"). The Company did not receive any queries from Shareholders as of the stipulated deadline in the notice of Annual General Meeting dated 15 July 2026.

The Company's responses to SIAS's queries are set out below:

<u>SIAS's question:</u>

Q1(i) What were the principal drivers of the 20% increase in total staff costs which significantly outpaced the 10% growth in revenue? To what extent did it reflect higher headcount, wage inflation, lower labour productivity, project-specific requirements or other factors?

<u>Company's response:</u>

The 20% increase in total staff costs to $52.5 million (FY2025: $43.9 million), which outpaced the 10.3% growth in revenue, was principally driven by the following factors:

(a) New hires increased headcount by approximately 15% during FY2026, in connection with new projects awarded to the Group during the financial year, across both direct project execution and supporting functions. The increase in headcount was necessary to support the mobilisation and early-stage execution of these newly awarded projects. This accounted for approximately 51% of the overall increase in staff costs.

(b) Foreign worker levy, dormitory and related workforce costs. Costs associated with the Group's foreign workforce, including statutory Foreign Worker Levy rates and outsourced dormitory rental and related costs, increased during the period under review. As the Group's existing dormitory capacity was insufficient to accommodate the increase in foreign workforce, the Group engaged third-party dormitory accommodation at a higher cost. As the Group's workforce composition includes a significant proportion of Work Permit holders, these cost increases had a direct impact on total staff costs. This accounted for approximately 31% of the overall increase in staff costs.

(c) Wage increments, both annual and ad hoc, were applied across the Group, from the Board and key management personnel to general staff and workers, accounting for approximately 18% of the overall increase in staff costs.

On labour productivity, given that a significant proportion of the increased headcount comprises new hires, and that the related projects are still in their initial and mobilisation stages, the Group considers it premature to draw meaningful conclusions on labour productivity at this juncture. New hires typically require an onboarding and ramp-up period before reaching full productivity, and the Group will continue to monitor productivity metrics as these projects progress into the bulk of physical execution.

On the disproportionate growth relative to revenue, the differential reflects a timing mismatch inherent in the Group's project execution cycle. New projects awarded during FY2026 required headcount to be mobilised ahead of physical execution, such that the associated staff costs were incurred in advance of corresponding revenue recognition, which will follow as these projects progress through execution in subsequent periods. Concurrently, certain other projects reached substantial completion during the year, with correspondingly lower incremental revenue and profit contribution in the current period. This is consistent with the Group's broader commentary on differing phases of project execution and order book composition affecting margins during FY2026.

SIAS's question:

Q1(ii) With regard to higher subcontracting costs, does management expect these pressures to persist? Is this a reflection of a structural shift in subcontractor bargaining power, reduced availability of skilled subcontractors, or changes in project execution?

Company's response:

The increase in subcontracting costs was principally attributable to two factors. One major subcontractor engaged in connection with a particular project saw a higher volume of work performed during FY2026 compared to FY2025, rather than an increase in subcontracting rates. In addition, as the Group secured multiple new contracts within a short period, this resulted in a temporary shortfall in in-house workforce during the transition period, which the Group addressed by engaging subcontractors on an interim basis. The Group's reliance on such subcontractors has since reduced, and this is not expected to persist. Costs relating to the Group's other subcontractors, who typically provide specialised construction, testing or assessment services, were not individually material.

Management does not consider this to reflect a structural shift in subcontractor bargaining power or reduced availability of skilled subcontractors. The Group's operating model remains unchanged, with the core execution of projects carried out in-house and subcontracting engaged only for specialised scopes of work.

SIAS's question:

Q1(iii) Other than staff and subcontracting costs, what were the other principal components of cost of sales? Could management also quantify the impact of higher fuel and oil-related material?

Company's response:

The Group's principal components of cost of sales, other than staff costs and subcontracting costs, comprise materials, direct operational costs, depreciation and insurance. Fuel costs which is a part of direct operational costs, averaged approximately 3% of monthly cost of sales in FY2026, rising to approximately 6% in March 2026 amid global price volatility from geopolitical developments. Oil-related material prices also trended upward towards the close of FY2026, contributing to the increase in cost of sales, though less than fuel and less individually significant.

SIAS's question:

Q1(iv) Which of the FY2026 cost pressures does management regard as cyclical and which represent the new normal in the group's cost base? How is the group adapting its pricing, procurement and project selection strategies to restore gross margins?

Company's response:

Management regards the increase in fuel costs and oil-related material prices during FY2026 as largely cyclical in nature, driven by the sudden onset of geopolitical developments. Fuel prices rose sharply at the onset of these developments before easing substantially in the months that followed, though remaining above pre-crisis levels. Given the ongoing nature of the underlying geopolitical situation, fuel and oil-related material prices may continue to fluctuate, and the Group will continue to monitor cost movements closely.

In contrast, the increase in workforce-related costs, including statutory Foreign Worker Levy rates and other associated costs, is regarded as part of the Group's new normal cost base, given that these are largely driven by government-mandated regulatory changes that are not expected to reverse. Similarly, wage increments, both annual and ad hoc, reflect the Group's recurring remuneration cycle and are expected to persist as part of the Group's underlying cost structure going forward.

The Group adopts a combination of pricing, procurement and project selection measures to manage cost pressures and sustain margins, including:

- Pricing — factoring anticipated cost increases into pricing when bidding on new projects, as part of the Group's normal bidding process;
- Procurement — securing bulk purchase orders to lock in pricing where feasible, and identifying alternative sources of supply for certain materials to manage cost and supply risk; and
- Project selection — maintaining a prudent and disciplined approach to project selection, evaluating tenders with a view to sustaining margins rather than pursuing volume alone.

The Group applies these measures in combination, and will continue to do so, to manage cost volatility and support margins going forward.

<u>SIAS's question:</u>

Q2(i) Given SGX RegCo's encouragement of forward guidance and its view that such disclosures can enhance investor confidence and credibility, has the board considered and/or formally evaluated the adoption of a structured forward guidance framework for FY26/27 to provide shareholders with greater visibility on the group's outlook, performance, key operating assumptions, and strategic priorities? If not, why not?

<u>Company's response:</u>

The Board has noted SGX RegCo's Regulator's Column of 16 January 2026 on forward guidance. The Board is currently reviewing the adoption of a structured forward guidance framework for FY2026-27. In the meantime, the Group's order book and the expected timing of revenue recognition are already disclosed in the notes to the financial statements. The Board will continue to keep this matter under review.

<u>SIAS's question:</u>

Q3(i) Could the board provide greater insight into the sustainability committee? Specifically, what is its composition, how frequently does it meet, what are its principal responsibilities, and through what reporting channels are sustainability matters escalated to senior management and ultimately to the board?

<u>Company's response:</u>

The Sustainability Committee is chaired by the Chief Executive Officer and comprises the Chief Financial Officer, Chief Operating Officer, Head of Project Management Office, and the functional heads of Environment, Health and Safety ("**EHS**"), Human Resources, Plant & Logistics, Facilities, and Tender & Contracts.

As most Committee members also attend the Group's monthly management meetings, sustainability matters are considered as part of these meetings. The Committee's principal responsibilities include setting sustainability targets, monitoring sustainability-related metrics, overseeing sustainability reporting, and identifying relevant training needs.

Material sustainability matters are escalated to senior management at the monthly management meetings and, where significant, further escalated to the Board at the next scheduled Board meeting.

SIAS's question:

Q3(ii) Given that sustainability matters are reported to the board through senior management, how does the board satisfy itself that it receives timely, complete and sufficiently independent information to exercise effective oversight? In particular, what significant sustainability-related matters are reserved for board deliberation and decision, and how are sustainability considerations incorporated into capital allocation, major investment decisions and enterprise risk management?

Company's response:

The Board receives sustainability updates through the escalation process described above, and material matters are tabled for Board deliberation. These typically include EHS incidents and remedial actions, regulatory non-compliance, climate-related risks, major capital expenditure with sustainability implications, and updates on ongoing sustainability initiatives.

In relation to capital allocation and major investment decisions, given the nature of the Group's business in underground utilities infrastructure construction and maintenance, sustainability-related considerations, including clients' ESG requirements, are taken into account as part of the Group's project and tender evaluation process.

The Group has also engaged an independent third-party professional firm, which assists with the Group's annual enterprise risk management exercise (including sustainability-related risks) and reviews the adequacy of internal controls over sustainability reporting. Findings from both are presented to the Audit Committee annually.

BY ORDER OF THE BOARD

Toh Choo Huat
Executive Chairman and Chief Executive Officer

24 July 2026