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Issuer: Koh Brothers Eco Engineering Limited

Stock code: 5HV

Meeting details:

Date: 27 April 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. The company announced on 15 March 2021 that Penta-Ocean Construction Co., Ltd (“POC”) will be subscribing for 810 million new ordinary shares in the capital of the company at an issue price of \$0.047 for each subscription share.

The company will raise an aggregate consideration of \$38.07 million and the proposed subscription agreement is scheduled to take place on or before 30 June 2021.

- (i) **Can the company elaborate further on the opportunities and synergies, if any, with POC as a strategic investor in the group?**
- (ii) **How much overlap is there between POC and the group in technical capabilities and in the area of operations?**
- (iii) **Will the board be finetuning the group’s strategic growth plans after discussions with the new strategic investor (once the proposed subscription is completed)?**

In addition, as disclosed in the announcement dated 15 March 2021, the group, through its subsidiary, and POC have collaborated and are joint venture partners in the \$520 million Deep Tunnel Sewerage System Phase 2 project. Yet the company was introduced by SAC Capital Private Limited and will pay SAC as an adviser and placement agent an amount of approximately 2.6% for the funds raised (approximately \$990,000).

- (iv) **Can the company elaborate further on the role played by SAC Capital? What were its scope, deliverables and value-add as adviser and placement agent given that POC was already known to the group?**

Q2. As noted in the statement by the chairman and CEO, the group reported revenue of \$182.3 million for FY2020, a decrease of 37% mainly due to the circuit breaker which saw all work on construction sites come to a halt.

For FY2020, net loss attributable to shareholders was \$11.8 million in FY2020 compared to a corresponding profit of \$5.7 million in FY2019. In spite of the challenges faced in 2020, the group’s financial position improved – the current ratio increased from 1.3x a year ago to 1.5x as at 31 December 2020; cash and bank balances improved by \$9 million to \$56.2 million; net gearing ratio improved to 0.28x as compared to 0.41x as at 31 December 2019.

- (i) **Manpower crunch:** As mentioned in the statement by the chairman and CEO, the restriction in international travel means that foreign workers are in short supply in Singapore. **Are there ways for the group to mitigate the manpower crunch? How much process re-engineering and automation can the group incorporate in its engineering and construction division?**

- (ii) **Cost pressure:** As at 31 December 2020, the group's order book stood at \$676.3 million. Ongoing projects include the Singapore Changi Airport Runway 3 (Package 1), MRT Circle Line 6, Tuas Water Reclamation Plant Contract 2A-Influent Pumping Stations, Van Holland Luxury Residence, Deep Tunnel Sewerage System Phase 2 and Woodlands Health Campus. Management has warned of challenges such as supply chain disruptions, labour shortages, higher material and manpower costs, higher cost and time resources needed to comply with COVID-safe measures as well as pressing demand to make up for lost time in the completion of projects. **Has management estimated the increase in costs? With these costs pressure, are projects that were secured prior to COVID-19 still profitable? What are the avenues, if any, for the group to pass on increases in costs? Going forward, how will the group be tendering for projects given the challenges in the industry?**

Q3. The group had announced in January 2020 that it will explore the spin-off of Oiltek Sdn. Bhd. ("Oiltek") which is the group's principal operating company in the bio-refinery and renewable energy division.

- (i) **What are the major projects and services offered by Oiltek?** As seen in Note 18 (page 70 – Investments in subsidiaries), Oiltek and its subsidiaries reported revenue of \$28.7 million in FY2020 (FY2019: \$26.4 million) and a profit after tax of \$3.96 million (FY2019: \$2.85 million). A short introduction of Oiltek can be found on page 4 of the annual report.
- (ii) **Who are the profiles of the major customers of Oiltek?**
- (iii) **What are the growth prospects of Oiltek?**
- (iv) **Can management help shareholders understand if Oiltek carries out inhouse R&D to drive innovation? What is the competitive advantage of Oiltek compared to its competitors in the industry?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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