



(Company Registration No.: 201301440Z)  
(Incorporated in the Republic of Singapore)

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## RESPONSE TO QUESTIONS FROM SHAREHOLDERS

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The Board of Directors (the “**Board**”) of Soilbuild Construction Group Limited (the “**Company**” or “**Soilbuild Construction**”, and together with its subsidiaries, the “**Group**”) refers to the questions received from Shareholders ahead of the Company’s Annual General Meeting to be held on 24 June 2020 at 10.00 a.m. via live webcast. The Company wishes to provide its response below.

**Q1. Despite raising money from shareholders multiple times, the board of directors are still unable to turn the company around and make a profit. Can the directors provide us with a detailed plan how they intend to stop the losses that shareholders had already suffered for so many years?**

**Despite having an advantage securing contracts from the soilbuild group, the company continue to lose money. Can independent directors confirm that the construction contracts with related parties are beneficial to the company?**

Company’s response

Over the last four years, the financial performance of the Group has been negatively impacted by

- (i) the challenging operating environment in the local construction market
- (ii) investment in the Group’s precast and prefabrication business which had just commenced business in 2019.

The competitive environment of the industry has led the Group to put in long term measures to maintain its competitiveness and sustainability. These include:

1. Investment into the Integrated Construction and Precast Hub (ICPH) to improve our construction capability through the adoption of innovative precast and prefabrication methods to improve productivity while reducing the Groups reliance on foreign direct labour over the long term.
2. Diversification of our geographical market with the expansion into Myanmar. Revenue contribution from Myanmar contributed 16.2% to the Group’s revenue for FY2019.
3. Improving project planning and construction management processes and strategies to improve construction productivity and efficiencies.

The Group has in place an internal control system to review and ensure that the construction contracts with related parties are secured on normal commercial terms and not prejudicial to the interests of the Group and its shareholders. This include reviewing the tender price and other terms of the contract against comparable third party contracts, as well as reviewing the gross profit margins utilising a bottom up methodology based on budgetary cost evaluation and considerations of relevant factors such as complexity of the project, delivery schedule, sufficiency and availability of resources and site conditions. All interested person transactions are reviewed by the Audit Committee to ensure compliance with the internal control procedures as well as the Listing Rules of the SGX-ST.

The Group's Audit Committee wish to confirm that the on-going construction contracts with related parties have been entered into in on normal commercial terms in accordance with the abovementioned process.

**Q2. The company has been making losses consistently and shareholders have suffered significant losses as well. What is the company doing to turn around or despite so, the company would expect losses to continue?**

Company's response

Please refer to Company's response in Q1 above and the Group's announcement on 23 June 2020 on "The Impact of the Covid-19 Pandemic on the Group's Business Activities".

**Q3. For independent directors ....**

**With so many years of dismayed results, why do you think the directors/management are worthy of any performance shares?**

**As Mr Lim Chap Huat is running multiple companies, what assurance do shareholders have that he will prioritize Soilbuild Construction over his other interests, bearing in mind this company is losing money all the way?**

Company's response

The Soilbuild Construction Performance Share Plan ("PSP") was adopted by the Company at an extraordinary general meeting of the Company held on 9 May 2013, which was implemented to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate the participants of PSP to achieve increased performance and to further strengthen the Company's competitiveness in attracting and retaining superior local and foreign talent. It allows the Company to target specific performance objectives and to provide an incentive for participants to achieve these targets.

The Board wish to clarify that since the financial years ended 31 December 2016 no performance share awards were granted or allotted to participants of PSP when the Board assessed the specific performance objectives against the actual Group's financial results for each of the relevant financial year. Over the last four years, as the Group's financial performance has been negatively impacted by factors more elaborated in Q1 above, the executive directors, including Mr Lim Chap Huat, had voluntarily reduced and/or waived part of their remuneration entitlement. This information has been disclosed in the Corporate Governance Report of the Company's annual reports.

Mr Lim Chap Huat is the Executive Chairman of the Group. As disclosed in the Corporate Governance Report in the Group's Annual Report, the Nomination Committee ("NC") conducts annual review of the performance of Mr Lim Chap Huat, including whether Mr Lim Chap Huat is able to and has been adequately carrying out his duties as Executive Chairman of the Company, and has made such recommendation to the Board as appropriate.

In particular, the NC noted that Mr Lim is actively involved in all key aspects of the Group's operations and business. This include driving the Group's business strategies together with the CEO of the Group, advising on tender review and approaches, as well as providing management oversight on overall project management implementation.

The NC is satisfied, and the Board has concurred, that Mr Lim Chap Huat has carried out his duties adequately as Executive Chairman of the Company.

BY ORDER OF THE BOARD  
SOILBUILD CONSTRUCTION GROUP LTD.  
Lim Chap Huat  
Executive Chairman  
23 June 2020