

INTRACO LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 196800526Z)

**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER
2022 AND EXTRAORDINARY GENERAL MEETING**

The Board of Directors ("Board") of Intraco Limited (the "Company" and together with its subsidiaries, the "Group") wishes to inform that as at 11 April 2023, being the last date where the shareholders are required to submit any question in advance of the Annual General Meeting ("AGM") and/or Extraordinary General Meeting ("EGM") on 25 April 2023, the Company has not received any questions from shareholders. Nonetheless, on 10 April 2023, the Company has received questions from Securities Investors Association (Singapore) ("SIAS") in relation to the Company's annual report for the financial year ended 31 December 2022 ("**Annual Report 2022**"). The Company's response is set out below:

Q1. As noted in the statement to shareholders, the newly-appointed executive chairman, Mr Mak Lye Mun, is leading the group forward with a 3-year roadmap that emphasizes changes to organisational and financial positioning, as well as business operations. Prior to becoming executive chairman, Mr Mak Lye Mun was an independent director of the company, as was Mr David Hoon Chee Wai, who was appointed chief operating officer in March 2022. The group plans to refocus its trading and distribution business and its passive fire protection business. The group has made a significant move to enter the digital assets industry.

Could the board/management provide greater clarity on the following operational and financial matters? Specifically:

- (i) **MHC Digital SG Pte. Ltd.:** The annual report seems to have only briefly mentioned the proposed acquisition of 51% of MHC Digital SG Pte. Ltd on page 70. However, this proposed acquisition was first announced over a year ago on 7 February 2022. The completion of the proposed transaction is conditional upon certain conditions precedent being fulfilled, and the deadline for fulfilling these conditions precedent has already passed on 6 January 2023. **Can management provide shareholders with an update on the proposed acquisition?**

Response: As disclosed on page 30 Para F4 of the Company's full year results announcement on 24 February 2023, certain of the conditions precedent, in particular MHC Spore and its subsidiaries achieving an agreed rolling 12-months net profit target and satisfactory due diligence has not been fulfilled or waived by the Company. Pursuant to the acquisition agreement dated 7 February 2022, the acquisition agreement shall terminate on or prior to the date falling 29 months from the agreement date (or such other date as may be agreed between the parties) in the event the conditions precedent stated in the agreement are not fulfilled or otherwise waived. The Company will make further announcements when there are material developments on the proposed acquisition.

- (ii) **Chinese 白酒 baijiu liquor:** Can management provide more information on the group's competitive advantage in the distribution of baijiu liquor in Singapore? How were the partner and the products selected? What market research and due diligence has the group carried out for this new business? Has the group considered other premium baijiu brands, such as Kweichow Moutai and Wuliangye?

Response: Luzhou Laojiao International Development (HK) Co., Ltd, a subsidiary of Luzhou Laojiao Company Limited 泸州老窖股份有限公司 ("**Luzhou**"), headquartered in Luzhou, Sichuan Province, China, was introduced to the Company by a business associate. Luzhou was founded in 1573 and is a listed company on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB350B. It is the producer of one of the top 3 Chinese baijiu brand in China with a reported revenue of more than RMB20B in the financial year in December 2021. The Company's acceptance of Luzhou's offer to act as its exclusive distributor for its GJ1573 series of baijiu in Singapore is in line with the Group's efforts to strengthen its trading and distribution business.

- (iii) **Burgundy wine tokenisation:** Can management provide more information on the group's track record and level of expertise in dealing with high-end wines, particularly Burgundy wine? How did the board and management evaluate and pick the exact bottles of wines for tokenisation?

Response: One of our partners in Provenance Treasures Pte Ltd is an experienced wine merchant in Singapore with many years of experience and knowledge in investing in and dealing with vintage wine, especially wines from the Burgundy region. The wine tokens were fully taken up by accredited investors. Please also refer to the announcements on 25 July and 30 September 2022.

- (iv) **Short term commercial papers:** The group and company had cash and cash equivalents of \$17.85 million and \$10.63 million respectively as at 31 December 2022. On 2 March 2023, the group launched a multicurrency unsecured commercial paper (CP) facility program, which has a maximum aggregate value of \$50.0 million. The program allows the group to issue notes in Singapore dollars or any other currency, offered solely to institutional or accredited investors in Singapore. The net proceeds from the issuance of notes under this program will be used by the company or its subsidiaries to finance the working capital for the group's core businesses, along with investments in short-term deposits, money market instruments, and debt instruments. **Can the board, particularly the independent directors, explain the rationale for the CP facilities to shareholders? What are the fees associated with setting up the program and issuing a CP? Given the group's cash position, why is there a need to issue the Series 001 CP at 4.2% per annum? In addition, considering that 51.2% of the 4.2% CP Series 001 was sold to related parties, what safeguards are in place to protect the interests of minority shareholders?**

Response: As announced on 13 March 2023, the net proceeds from the 2-week commercial papers ("**CP**") was used primarily by the Company's subsidiary to repay its short-term bank borrowings utilised for its trading and distribution business. The total costs of issuance of the CP were lower than the costs of the bank borrowings. The Company and its subsidiaries have always and intend to continue to maintain a certain level of debts or borrowings in its balance sheet.

Give that this is the Company's first CP issuance, the subscription by related parties increased the confidence of the other unrelated investors. The related parties' subscription was reviewed by the audit committee to ensure that it is on normal commercial terms and not prejudicial to the interests of the minority shareholders.

Q2. At the extraordinary general meeting (“EGM”) scheduled to be held on 25 April 2023, the company will seek shareholders' approval for the introduction of a Performance Share Scheme (PSP) in addition to a new Employee Share Option Scheme (ESOS 2023). The company is also seeking approval to grant the options at a discounted price compared to the market price. The executive chairman's statement mentioned that these proposals are intended to strengthen the alignment of interests between the group, management, and shareholders.

- (i) **Could the board clarify if there are any existing profit-sharing plans or variable bonus schemes for key management executives, and provide more information to shareholders about these plans?**

Response: As disclosed on pages 76 to 79 of the Company's annual report, its compensation to key management and staff includes annual performance variable bonuses which is determined taking into consideration various financial and non-financial key performance indicators and approved by the Remuneration Committee. The existing Intraco Employee Share Option Scheme (“ESOS 2023”) will be expiring on 29 April 2023. The Company will be seeking shareholders' approval for a new performance share plan (“PSP”) and employees share option scheme (“ESOS”) at the forthcoming extraordinary general meeting on 25 April 2023 (“EGM”). For more information on these plans, please refer to the Circular to Shareholders dated 3 April 2023.

- (ii) **Can the remuneration committee (RC) elaborate further on how the proposed PSP and ESOS will strengthen the alignment of interests between management and shareholders? Can the RC also explain whether the current system of incentives and alignment is viewed as ineffective and in need of strengthening?**

Response: The proposed PSP and ESOS will enable the Company to reward its key management and staff, in lieu of any cash bonuses, and enable eligible key management and staff to participate in the equity of the Company and foster a greater ownership culture within the Group, thus aligning their interests with the shareholders of the Company. Please refer to the Circular to Shareholders dated 3 April 2023 for more details on the rationale for and benefits. Based on the financial performance of the Group in the last few years, the previous compensation system (please also see response in (i) above) did not seem to have resulted in the desired outcome.

As disclosed in the EGM circular, the 2022 employment contract between the executive chairman and the company included a share award of 1 million over a three-year vesting period and release schedule. However, it is noted that the company only had the Intraco Employee Share Option Scheme (the 2013 Scheme) in 2022.

- (iii) **Can the board help shareholders better understand how it had included a share award of 1 million in an employment contract (with also did not have a market price condition)? Can the board/RC clarify on the validity of the contract/award?**

Response: The share award of 1 million to the Executive Chairman, to be vested over 3 years from the date of grant, is subject to the implementation of the PSP which shall be tabled to shareholders for approval at the forthcoming EGM. It is part of his total remuneration package pursuant to his service agreement, taking into consideration, amongst others, the intention to align his interests with the shareholders as well as retaining more cash in the Company. The service agreement was approved by the Remuneration Committee and the Board. Please see the Executive Chairman's total remuneration in FY2022 on page 76 of the Company's annual report.

- (iv) In the event that shareholders do not approve the PSP and/or ESOS 2023, what impact would this have on the company?

Response: The Company is optimistic that both the PSP and ESOS will be approved by the shareholders at the forthcoming EGM.

Q3. The company redesignated Dr Steve Lai Mun Fook as an independent director on 1 January 2023. The board composition is shown below:

The dates of initial appointment and last re-election of each Director are set out below:

Name of Director	Position	Date of Initial Appointment	Date of last Re-appointment/Re-election
Mr Mak Lye Mun	Executive Chairman and Director	29 April 2021	20 April 2022
Dr Tan Boon Wan	Lead Independent Director	5 October 2004	20 April 2022
Dr Steve Lai Mun Fook	Independent Director ¹	28 April 2015	24 June 2020
Ms Ong Beng Hong	Independent Director	1 September 2022	NA
Mr Charlie Ng How Kiat	Non-Independent Non-Executive Director	22 November 2012	24 June 2020

Note:

1. Re-designated as Independent Director with effect from 1 January 2023.

(Source: company annual report)

In the company's announcement on 16 February 2022, it was disclosed that Dr Lai was deemed a non-independent director because he represented the interests of the significant shareholder, TH Investments Pte Ltd ("TH"). Subsequently, TH provided a letter to the company's nominating committee (NC), stating that Dr Lai is not representing the interests of TH in any capacity.

According to Practice Guidance 2, a director is considered non-independent if they have been directly associated with a substantial shareholder of the company in the current or previous financial year. In light of this, the NC concluded and recommended to the board that Dr Lai should be classified as a non-independent director for the financial years ending 31 December 2021 (FY2021) and 31 December 2022 (FY2022). Apart from this association, Dr Lai has met the independence criteria outlined in the Listing Rules and the Code. The board has accepted the NC's conclusion and recommendation.

- (i) Does the board/NC believe that Dr Steve Lai Mun Fook can be perceived to be independent given his association with the controlling shareholder even though Dr Lai is stated on paper not to be representing the interests of TH in any capacity?

Response: The NC and the Board had considered and ascertained Dr Lai's independence based on definition set out in the Code of Corporate Governance 2018 ("CG 2018") and considering the Practice Guidance of CG 2018 and Rule 210(5)(d) of the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST") (the "Listing Manual").

The NC and the Board are satisfied that Dr Lai has satisfied the criteria of independence prescribed under the CG 2018, Practice Guidance of CG 2018 and the Rule 210(5)(d) of the Listing Manual. The

NC and the Board also believe that Dr Lai is independent in substance. The circumstances which led to Dr Lai's non-independent since his appointment on 28 April 2015 and the subsequent decision to re-designate him as independent with effect from 1 January 2023 had been explained in the Company's announcements of 16 February 2022 and 29 December 2022 as well as page 63 of the Company's Annual Report for the financial year ended 31 December 2022 (the "Annual Report").

- (ii) Provision 2.2 of the Code of Corporate Governance 2018 provides that where the chairman is not an independent director, the independent directors should make up a majority of the board. **Was the redesignation of Dr Steve Lai Mun Fook made to ensure that the board meets the requirements of Provision 2.2 of the Code of Corporate Governance 2018?**

Response: The re-designation of Dr Lai as Independent Director matter was decided by the NC and the Board in early 2022 and subsequently announced to SGX-ST on 16 February 2022, following the NC's annual review of the respective directors' suitability and independence. The Board Chairman, Mr Mak Lye Mun, was re-designated as Executive Chairman with effect from 15 July 2022.

On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced that it will limit the tenure of independent directors (IDs) serving on the boards of listed issuers to nine years. This stemmed from recommendations by the Corporate Governance Advisory Committee (CGAC). There was broad market support for this change during the public consultation carried out by SGX RegCo.

Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.

- (iii) **As Dr Steve Lai Mun Fook has been a non-executive director since 28 April 2015, and in accordance with the new rules on the tenure of independent directors, will he be re-designated as a non-independent non-executive director on 28 April 2024, when he reaches 9 years of tenure?**

Similarly, the company appointed Dr Tan Boon Wan as the lead independent director. Dr Tan has been an independent director of the board since 5 October 2004.

Response: The NC and Board will review the size and composition of the Board at an appropriate time. The Company will announce any changes accordingly.

- (iv) **Can the NC provide shareholders with an overview of its plans to ensure the progressive renewal of the board?**

Response: As disclosed on page 65 of the Annual Report, the NC reviews the size and composition of the Board to ensure that the size of the Board is conducive for effective discussions and decision-making and that the Board has the appropriate mix of expertise and experience, as well as an appropriate balance of Independent Directors.

The Company has a focused board renewal strategy to progressively bring in diversity of skillsets, views and backgrounds in alignment with the growth of the Group. In accordance with the Company's Constitution, one-third of the Company's directors will retire and seek re-election at every AGM. Director who is appointed during the year will have to retire at the next AGM. The Company also ensures that each Director must submit himself/herself for re-nomination and re-appointment once every three years pursuant to Rule 720(5) of the Listing Manual.

The NC will look into the composition of the Board and the business needs of the Company and where appropriate, will consider the recruitment of new Directors who can bring new expertise, knowledge and skillset to the Board.

The succession planning of the Board will be further discussed by the NC after the Company's AGM to ensure that there is proper transition of directors if appropriate.

- (v) **Separately, can the NC elaborate further on the board evaluation process? What are the key findings from the most recent board evaluation?**

Response: As disclosed on page 71 of the Annual Report, the NC has in place an annual Board Performance Evaluation exercise to evaluate the effectiveness of the Board and facilitate discussion to enable Directors to discharge their duties more effectively. The evaluations are carried out by means of a questionnaire being completed by each Director. The results of the completed questionnaires are collated and the findings are analysed and discussed by the NC, with comparatives from the previous year's results and reported to the Board.

The results of the respective Board Committees and the Board are comprehensively documented and shared amongst the Board Directors upon review by the NC. Please refer to page 72 of the Annual Report on the criteria for Board, Board Committees and Individual Director evaluation.

For the FY2022 Board Performance Evaluation, the NC had noted those items which had a deviation of 0.5 in their average ratings when compared to prior year. There were however no material findings which warrant special attention of the NC/Board. The NC had reported to the Board the findings of the evaluation of the Board, Board Committees and Individual Directors. The NC had suggested among others, improvement in the financial information prepared by Management to elaborate the significant issues/trend when circulating the said information to the Board. Apart from this, the NC is generally satisfied with the evaluation results for FY2022.

By Order of the Board

Josephine Toh
Company Secretary
17 April 2023