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

FY2019 ANNUAL GENERAL MEETING

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors (the "**Board**") of Intraco Limited (the "**Company**") refers to:

(a) the Company's Notice of Annual General Meeting ("**AGM**") dated 13 April 2020;

(b) the accompanying announcement released on 1 June 2020 setting out the alternative arrangements for the AGM on 24 June 2020.

The Company would like to thank shareholders for submitting the questions in advance of its AGM to be held on 24 June 2020 via electronic means. The Company's responses to the key questions from shareholders can be found in the appendix to this Announcement.

By Order of the Board

Josephine Toh
Company Secretary
23 June 2020

<u>APPENDIX - RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS</u>

1. **As at 31 December 2019, both the Group and the Company have accumulated losses of SGD 14.729 million and SGD 24.425 million respectively. Would this impact the ability of the Company in paying dividend in the future? If it does, would the Board consider a capital reorganisation so as to enhance its ability to pay dividend in the future?**

2. **This question is somewhat related to the first question. As at 31 December 2019, the Group has a cash position of SGD 33.184 million, equivalent to approximately 32 cents of cash per share. In terms of borrowings, the total borrowing is about SGD 7.6 million (Current: SGD 6.89 million; Non-Current: SGD 0.751 million) equivalent to about 7.4 cents of borrowings per share. The net cash position is at about 24.4 cents per share. With the recent announcement of the proposed divestment of Dynamic Colours (subject to the approval of shareholders of the Company), the cash position may increase quite significantly. Would the Board be able to share what are available options to enhance shareholders' value? Will the accumulated losses stated in question 1 affect the Company's ability to pay a dividend?**

   Intraco Limited's ("Intraco" or the "Company", and together with its subsidiaries, the "Group") accumulated losses status does adversely impact (and generally impede) the Company's ability to pay dividends in the future.

   The Board will certainly look into declaring a dividend in the future when sufficient profits are generated during the fiscal year (or has sufficient retained profits). The Board and Management aim to work towards being able to pay out dividends on a consistent and sustainable basis.

   Meanwhile, the Board will consider a capital reorganisation, and specifically a capital reduction as an option to eliminate the Company's accumulated losses.

   The Company is of the view that a capital reduction exercise should be undertaken when the Company has established a position whereby it is able to generate sufficient profits on a sustainable basis (so that the accumulated losses only need to be eliminated once). The Company is also keeping a close watch on its operations and businesses during this global pandemic and the subsequent staff and work lockdowns that has impeded normal business operations.

   The supply chain in respect of the Group's plastics trading business has also been affected by the shutdown of two major refineries, Saudi Aramco in Petro Rabigh and PRefChem (a Joint Venture between Petronas and Saudi Aramco) each for between three to four months affecting the quantity and flow of materials supplied, combined with the effect of oil prices contango and impact on raw material prices.

   The expected cash proceeds from the proposed divestment of Intraco's 41.27% stake in Dynamic Colours Limited ("DCL") would place the Company in a stronger position (with greater financial capability and flexibility) to acquire profit accretive businesses and invest in growing the current business portfolio. As part of the portfolio rebalancing strategy, the Company is looking to invest in higher margin and growth businesses. These actions would in turn pave the way for a consistent and sustainable dividend policy whilst enhancing shareholders' value.

   The Companies Act (Section 403) and the Constitution of the Company provide that no dividend shall be payable to shareholders except out of profits. In particular, Regulation 162 of the Company's Constitution reads "*The Directors may before recommending any dividend set aside out of the profits of <u>the Company</u>…*". The general rule is that there must be sufficient profits (could be either retained profits or current year profits) before the Company can declare any dividend. Any proposed capital reduction exercise is subject to regulatory and shareholders' approval.

3. What is the prospect of the Company going forward?

The Company firmly believes that it is progressing well on growth initiatives and rebalancing the portfolio. On the basis that the proposed divestment of DCL progresses to completion upon Intraco shareholders' ratification at an EGM, the Company expects to receive approximately S$19.5 million in cash which will further strengthen its net cash position. This puts the Company in a good position to source for profit accretive businesses and invest in growing its current businesses. Furthermore, the Group has very little debt; it has a leverage ratio of 11% as at 31 December 2019 with excess capacity to take on borrowings (to fund acquisitions), if necessary.

4. What is the dividend policy of the Company?

As set out in the Company's Corporate Governance Report, the Company does not have a formal dividend policy. However, it targets to provide a consistent and sustainable dividend payout that take into account the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. Where dividends are not paid, the Company will disclose its reasons accordingly. A formal dividend policy might be considered at an appropriate time when the Company attains its target growth position to deliver consistent and sustainable dividend payout.

5. Upon completion of DCL shares sales, Intraco's net cash position will be about $44.9 million or about 43.6 cents backing per share which is twice more than its trading price (20.5 cents as of 15/6/20). With this scenario, 3 questions are as follows:

5.1 How can the management pre-empt a hostile takeover?

The Board and Management do not wish to comment on speculation. Shareholders (which include controlling shareholders) are able to make their own decisions on their shareholding interest in the Company.

5.2 Intraco has not paid dividend for a decade or so, will management consider paying a special dividend or returning some cash as capital reduction?

On the basis that the proposed divestment of DCL proceeds to completion, the Company expects to receive approximately S$19.5 million in cash. The Board will consider options to enhance shareholders' value, including corporate actions such as a cash distribution, or to return capital to shareholders (via a capital reduction). Such actions will be subject to the necessary regulatory and/or shareholder approvals.

The Company is unable to declare a dividend at the upcoming 2020 AGM due to its FY2019 loss-making position of S$0.8 million at a company-level and accumulated losses of S$24.4 million.

5.3 Will Management continue to carry out share buyback?

In light of the Group's stronger cash position, share buyback is also one of the options being considered by the Board to enhance shareholder value and return capital to shareholders. The share buyback programme will improve the Company's financial ratios such as earnings per share. Further, the share price of the Company is considered to be undervalued (NAV per share of S$0.66 cents as at 31 December 2019 compared to trading price of S$0.20 cents as at 16 June 2020). Therefore, it is in the opinion of the Board and Management that the share buyback exercise is in the interest of the Company and its shareholders, and will thus continue to carry out share buybacks, where appropriate.