



Annual General Meeting FY2020

Questions & Answers

1. **In AR 2019, it was mentioned in the CEO's Statement that "with the right opportunities and timing, I am optimistic on delivering a breakthrough in 2020". Were there any opportunities that came up in 2020 that the Management and Board – ? What were some of the breakthroughs for Intraco in 2020?**

Company's response

The Company considers the successful divestment of the Company's 41.27% stake in Dynamic Colours Limited ("DCL"), another publicly-listed company to be an important milestone in 2020. The transaction, which was completed in July 2020, marked one of the Group's most significant corporate actions in recent years, generating net cash proceeds of S\$19.5 million.

The divestment of DCL was significant for a number of reasons including:

- streamlining the number of businesses within the portfolio;
- unlocking value from an investment in an associate company that has generated approximately 105% ROI (return on investment) and where the Company does not have sufficient control over its future and direction); and
- enhancing the Company's financial flexibility and bolstering the Company's total net cash position to tide through a potentially prolonged period of financial challenges due to COVID-19.

With a bolstered net cash position of S\$41.3m as at 31 December 2020, the funds may be deployed to other investment opportunities that would enable the Group to achieve longer-term and more sustainable profits.

2. **Would the Board and Management be able to advise how they are going to help to unlock shareholders' value, given that the share price is trading at discount to NAV for the past few years? Understand that the Company has conducted a couple of share buybacks in 2020. What are the other options available?**

Company's response

The Company believes that the key to unlocking shareholders' value is to deliver more sustainable earnings and ultimately be able to pay dividends on a consistent basis. To this end, considerable effort is being placed to grow the current three key businesses of K.A. Group, Intraco Trading and Intrawave. At the same time, the Company is keeping a lookout for suitable, profit-accretive investment opportunities.

3. **What are some of the challenges and issues faced with identifying acquisition/ investment targets? How many acquisition targets have the board and management reviewed in 2020 and how many of them have progressed to the due diligence stage?**

Company's response

The Company's priority in H1 2020 was to complete the DCL transaction. With the incremental S\$19.5m cash generated from the divestment of DCL, the Company was able to access a greater number of investment opportunities.

However, the process (to identify and complete a suitable acquisition) was severely hampered by the COVID-19 pandemic. Site visits, meetings with management and advisors, and due diligence exercises were constrained by travel restrictions. Other challenges faced include:

- many vendors had reverted to putting their planned sale processes on hold due to depressed earnings;
- unrealistic valuations for the targets that were actually performing or profitable; and
- difficulties in ascertaining the recovery of the post-pandemic earnings, which would in turn impact valuations.

During the period, management reviewed over 50 investment targets but less than half a dozen reached the advanced or due diligence stage due to the reasons highlighted above. The Company will continue to evaluate and keep a lookout for suitable, profit-accretive investment opportunities.