OCEAN SKY INTERNATIONAL LIMITED

(Company Registration No. 198803225E)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUERIES RECEIVED FOR ANNUAL GENERAL MEETING

The Board of Directors (the "**Board**") of Ocean Sky International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the announcement dated 4 June 2020 on the alternative arrangements for its Annual General Meeting to be held on 26 June 2020 ("**AGM**"), in particular, the invitation to shareholders to submit questions in advance of the AGM. The Company would like to thank the shareholders for the questions submitted.

The Appendix sets out the Company's response to the questions received from the shareholders that are relevant to the AGM resolutions and the business of the Company and the Company has also provided answers to some questions received from the Securities Investors Association (Singapore) (**SIAS**).

BY ORDER OF THE BOARD

Chia Yau Leong
Executive Director and Company Secretary

24 June 2020

Sponsor's Statement

This announcement has been prepared by Ocean Sky International Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

APPENDIX

Q1. As noted in the chairman's statement, the group achieved a 7.7% year-on-year increase in revenue to $23.82 million for the financial year ended 31 December 2019. The increase was mainly due to the higher volume of work performed and certified across the group's construction and engineering segment in FY2019.

Gross profit was lower by a third at $2.2 million for FY2019. Gross profit margin slipped from 14.9% in FY2018 to 9.2% in FY2019 despite the increase in revenue. The company has stated that the lower gross profit was due mainly to increases in manpower and subcontractor costs.

(i) What is the group's competitive advantage in the construction and engineering segment?

A: The Group's wholly-owned subsidiary, Ang Tong Seng Brothers Enterprises Pte Ltd ("**ATS**") is an established civil engineering and construction company with a long standing track record for both public and private sector projects. Given its track record as a reliable and trusted player, ATS has developed close relationships and a strong reputation among main contractors. Led by an experienced management team, ATS has a team of dedicated and skilled workers. Their professionalism and commitment to safety has been recognised by our partners, resulting in numerous certifications and accolades.

(ii) In Note 30 (page 111 – Segment reporting), the construction and engineering segment reported a segment result of $809,000 before unallocated corporate headquarter expenses of approximately $1.6 million. With its current scale and expertise, how does the group intend to operate in the segment profitably?

A: The Group will continue to improve its productivity and efficiency as well as increase its focus on larger value projects. The Group will also continue to be more selective in its response to project tenders with its target margins in mind in order to operate profitably. These efforts will help the Group overcome rising costs and intense competition faced by the entire construction and engineering industry in a challenging operating environment. The Group is also cautiously optimistic given the Building and Construction Authority's (BCA) forecast figures which indicate that there are still many public infrastructure projects over the next few years that will continue to drive construction demand.

In addition to the Group's construction and engineering segment, the Group is also involved in the business of property development, investment and management. Corporate headquarter expenses should be recovered from both business segments. As of June 2020, the Group's development projects are at various stages of development and the expected returns have yet to be realised at this stage. Furthermore, the Group has recently acquired an investment property in Melbourne, Australia to grow its source of recurring rental income and further diversify the Group's revenue.

(iii) In FY2019, the company once again impaired the goodwill allocated to the group cash-generating unit consisting of Ang Tong Seng Brothers Enterprises Pte Ltd and Ang Tong Seng Construction Pte. Ltd.. Key assumptions for the value-in-use calculations include earnings before interest, tax, depreciation and amortization ("EBITDA") margin ranging from 5.0% to 7.0% (2018: 9.3% to 9.9%) and revenue growth rate of 0.7% (2018: 16.6%). In FY2018 and FY2019, the impairment losses of goodwill were $(7.0) million and $(4.76) million respectively. The entire goodwill of $11.76 million associated with the construction and engineering CGU has been written off in two years. Can the board elaborate further on the sustainability of its construction and engineering business?

A: The Group has faced a challenging operating environment over the past two years due to intense competition among both local and overseas players vying for projects. In addition, rising manpower costs and the limited supply of skilled labour continues to add significant challenges for the Group. Greater work safety requirements are expected to cause a rise in operating costs in the near future and will affect the entire industry.

Despite the expected delay in the Changi T5 project, the Building and Construction Authority's (BCA) forecast figures indicate that there are still many public infrastructure projects over the next few years that will continue to drive construction demand. With the Group's competitive advantage, focus on larger value projects, productivity and efficiency gains as well as its selective approach to project tenders, the Board believes the Group's construction and engineering business will be able to capture profitable opportunities and operate sustainably. The Group also intends to grow its scope of services and strengthen its existing expertise through value engineering and innovation to drive sustainable growth of its construction and engineering business.

Q2. Would management elaborate further on the group's property development business? Specifically:

(i) 6 Nim Road: Are the group's marketing and sales efforts for 6 Nim Road affected by the COVID-19 pandemic? Has the group received offers for the detached house? The Certificate of Statutory Completion for the redevelopment was received in November 2019.

A: Several agents have been marketing the detached house on behalf of the Group since the project received its Temporary Occupation Permit in August 2019. Several prospective buyers have viewed the property, but the Group has not received any concrete offers yet. The Covid-19 pandemic has softened the private residential market and disrupted marketing and sales efforts during the circuit breaker period.

Several agents have since made appointments to resume viewings by their prospective buyers after the phase 2 of re-opening post-circuit breaker.

(ii) TSky Development Pte. Ltd.: The group has a 40%-stake in the joint venture company that is carrying out the development of the high-end residential projects, namely Sloane Residences at 17 Balmoral Road and Cairnhill 16 at 16 Cairnhill Rise. What is the level of sales at both of these developments?

A: As of to-date, five units of Sloane Residences have been sold whereas Cairnhill 16 has not been launched for sale yet.

Q3. As noted in the Corporate Governance report, two independent directors, namely Mr Chua Keng Hiang and Mr Ng Ya Ken, have served on the board for more than nine years since the date of their respective first appointment.

The company acknowledged that, under the amended SGX-ST Listing Rules, the reappointment of directors who have served the board beyond nine years from the date of their first appointment will be subjected to a two-tier shareholders voting in order to be considered independent. This will come into effect from 1 January 2022.

The company has stated that it will put in place the two-tier shareholders voting for any retiring independent director who has been a director for an aggregate period of more than 9 years seeking re-election in annual general meeting to be held from 2020 onwards.

(i) Would the company early adopt the two-tier voting system for the re-election of Mr Ng Ya Ken?

A: The Company has early adopted the two-tier voting system for the re-election of Mr Ng Ya Ken in this AGM. Please refer to Ordinary Resolution 3 of the Notice of AGM.

(ii) Would the company disclose its board diversity policy, and the progress made towards implementing the board diversity policy? (Provision 2.4 of the Code of Corporate Governance 2018 ("CG Code"))

A: As disclosed in the Annual Report, the Board's policy in identifying director nominees is primarily to have an appropriate mix of members with core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience, customer-based experience or knowledge, regardless of gender.

The Board members possess the core competencies in areas such as accounting and finance, legal, business and management experience, relevant industry knowledge and strategic planning experience to lead and control the Company. In particular, the Executive Directors possess good industry knowledge while the Independent Directors, who are mostly professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations.

The Nominating Committee ("**NC**") believes that the current composition and size of the Board provides an appropriate balance of skills, experience, gender and knowledge, which facilitates effective decision-making. At present, the Board has one female Independent Director. In addition, it consists of directors with ages ranging from 47 to 73 years old, who have served on the Board for different tenures.

The Board takes steps to maintain or enhance its balance and diversity through annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board and an annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent Directors.

Taking into account the nature and scope of the Group's business and the number of Board Committees, in concurrence with the NC, the Board believes that the current size and composition provide sufficient diversity without interfering with efficient decision making.

Principle 4 of the CG Code also requires the board to have a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the board.

The nominating committee has stated that it may tap on the directors' personal contacts and recommendations and/or through search companies in identifying suitable candidates for new appointment as director.

(iii) How does the board's search and nomination practices support the board diversity policy and the progressive renewal of the board?

A: On a regular basis, the NC, in consultation with the Board, would identify the current needs of the Board in terms of expertise and skills that are required in the context of strengths and weaknesses of the existing Board to complement and strengthen the Board. The NC may tap on the Directors' personal contacts and recommendations and/or through search companies in identifying suitable candidates for new appointment as director and interview each proposed candidate for directorship based on the qualification and experience of such candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives.

The Board is also advised by the Sponsor on the appointment of directors as required under Catalist Rule 226(2)(d). The NC would then recommend the appropriate candidate to the Board for consideration and approval.