

AEDGE GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 2019333214E)

**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) AND SHAREHOLDERS**

The board of directors (the “**Board**” or the “**Directors**”) of Aedge Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries received from the Securities Investors Association (Singapore) (“**SIAS**”) and the Company’s shareholders in relation to the Company’s Annual Report for the financial year ended 30 June 2021. The Group sincerely thanks SIAS for taking time to submit their queries as the “voice of minority shareholders” to ensure investor education as well as corporate governance and transparency. The Group would also like to thank shareholders for submitting their queries in accordance to the deadline set out in the notice of annual general meeting. The Group sets out its responses to the substantial and relevant queries raised by SIAS and shareholders below:

QUESTIONS FROM SIAS

Q1. As noted in the chairman’s statement, despite the pandemic, the Company successfully listed on the Catalist Board of the Singapore Stock Exchange on 14 December 2020. The Group has grown over the past 20 years into a multi-services outfit that spans engineering, transport, security and manpower services.

(i) Would management help shareholders understand if there are synergies between engineering, transport and security and manpower services?

All three segments are integral aspects of the construction ecosystem that requires engineering services (e.g. scaffolding, engineered sheltered and insulated gratings), manpower expertise (e.g. application of work passes, instilling the best employment practices and maintaining workplace safety and health standards) and transportation infrastructure (e.g. transport arrangements for employees).

The Group’s expertise within these three segments enables it to be a “one-stop-shop” to fulfil clients’ project requirements.

(ii) How does the increase in oil prices affect the demand for the Group’s services in the engineering segment?

The Group has seen an up-tick in activity across the industries that we provide services to, including but not limiting to the offshore Oil & Gas sector for which our engineering segment services.

The pick up in demand for the Group’s services in the engineering segment is a function of various factors such as the gradual opening up of the economy, as well as the increase in oil prices given that a significant number of our clients are in the Jurong Island Process Industry.

(iii) What is the Group’s expertise/value proposition in engineered shelters, insulation, grating and shoring? Does it have any intellectual properties, trademarks or proprietary solutions or products?

The Group has an exclusive agreement for the Asia region with Haki, a “Made-in-Sweden” proprietary system scaffolding and weather protection system. Haki is a reputable brand that has its trademark registered, and is available for sale and rental. The Group provides services using the Haki system, enabling it to save manpower costs.

In addition, the Group partners with Lichtgitter, a German brand specialised in supplying a wide variety of grating including fire retardant grating for renewable energy sector. For example, wind farm projects.

For shoring, the Group is equipped with its own equipment utilising the Cuplok Heavy Duty System, which is available on a sale and rental basis. The Group has an integrated team with design capabilities that provides initial on-site services to support clients utilising this system, especially in building and infrastructural projects.

(iv) What was the utilisation rate of the Group’s fleet of buses in FY2021? In FY2018, the utilisation rate was 82.9%, before slipping to 77.9% in FY2019. In FY2020, the utilisation rate further decreased to 67.8% due to the measures imposed by the government in response to the COVID-19 outbreak.

The utilisation rate in FY2021 for the Group’s fleet of buses was approximately 60.8%.

(v) What is management’s strategy to deal with the manpower crunch given the uncertainties in the economy (including the pace of re-opening)?

Whilst it is important to note that the manpower crunch is an industry wide issue that affects many industries and companies, the Group has reallocated manpower resources to fulfil crunches in other in-demand industries such as supply contracts for wind-farm gratings projects. As a stop-gap to alleviate manpower shortages, we have also engaged relief staff for our security and cleaning business segment and deployed them for temporary assignment.

(vi) In Note 28 (page 91 – Operating segments), it was shown that all three reportable segments achieved segment profits of between \$362,000 and \$719,000 and yet the Group reported a consolidated loss of \$(1.10) million for the financial year ended 30 June 2021. This was due to a “segment” loss of \$(2.68) million under “Others”.

Would the audit and risk committee (ARC) help shareholders understand if the operating segments could be better improved to reflect the financial performance of each reportable segment? Why did management record a loss of \$(2.68) million under “Others”? Would the ARC look into the allocation of the losses and revise the Note on operating segments?

The items classified under “Others” relate to amounts that cannot be identified or allocated to the operating segments, in accordance with Singapore Financial Reporting Standards (International) 8 *Operating Segments*. These include expenses in provision of management, treasury, and administrative services. The amount of \$2.68 million for FY2021 includes SGX listing expenses.

Q2. The Group’s Executive Director in charge of corporate development, Mr Foo Der Rong (“Mr Foo”), was appointed to the Board on 24 March 2020. Mr Foo is responsible

for corporate development, mergers and acquisitions and strategic planning (page 6 of the annual report).

(i) Can the Board/nominating committee (NC) elaborate further on the role and responsibilities, including the key deliverables and performance measures, of the Executive Director?

Mr Foo's role entails leading the corporate development, mergers and acquisitions, as well as strategic planning initiatives of the Group. Key deliverables include channelling potential partnerships and acquisition opportunities in-line with the Group's strategy.

The Group adopts a balanced scorecard framework, which measures our key executives by both financial and non-financial key performance indicators (KPIs). With reference to Mr Foo's role, his KPI comprises elements such as corporate development deals (including but not limited to equity or debt financing, M&A transactions, etc) as well as business development leads generation.

(ii) Can the Board/NC confirm that Mr Foo Der Rong is serving as a full time executive Director? It is noted that Mr Foo also serves on three other listed companies as independent Director, namely Matex International Limited, Noel Gifts International Ltd and SLB Development Ltd.

Mr Foo is serving as a full time Executive Director concurrent to his independent director duties in the aforementioned listed companies.

(iii) Would the Director help shareholders understand how he is able to afford sufficient time, energy and attention to the matters of the Group as an Executive Director given that he sits on three other listed companies?

The Nominating Committee has always placed a greater emphasis on tangible measurables such as key deliverables and KPI delivery as a measurement for key executives. Mr Foo remains positive on his ability to manage his various roles and deliver results to the Group.

The Nominating Committee will continually monitor and review his performance in the Group accordingly.

(iv) Would the Director be reducing his commitment in other listed companies?

Mr Foo has no intention to reduce his commitment in other listed companies at the present moment.

Q3. On 5 October 2021, the Company announced it was proposing to appoint Moore Stephens LLP as the auditor of the Company and its subsidiaries in place of the retiring auditors, KPMG LLP due to a notice of nomination from a shareholder, Ms Fam Yien Fung, dated 5 August 2021.

(i) Can management clarify if there is any existing relationship between the said shareholder and the directors, management or the proposed auditors? It is noted that the said shareholder has not been identified as a substantial shareholder (page 103) nor is in the list of top 21 shareholders (page 102 of the annual report).

(ii) Can the Company confirm that the Company's constitution allows any shareholder to give the Company a notice of nomination on the appointment of the auditor?

(iii) Given that KPMG has only served as the external auditors of the Company since the IPO (and since 2018 for the subsidiaries), how did the ARC assess the need to change the external auditors?

(iv) In particular, how is “a change of perspectives” in the best interests of the Company? Would the change in the auditor after just 1 year affect the quality of the audit and cause unnecessary disruption to the audit?

(v) Were other auditors considered by the ARC, other than Moore Stephens LLP?

KPMG was the auditor of the Company from FY2020 as the Company was only incorporated in October 2019 for the purpose of the IPO restructuring. KPMG had been the auditor of all the subsidiaries in the Group since FY2018. With the Group’s cost-cutting exercise, the ARC felt it was timely to explore the option of changing auditors. The change of auditors is expected to result in a reduction of audit costs by approximately 33% based on the previous audit fees for the financial year ended 30 June 2021.

The ARC reviewed several proposals from various auditors before making the decision to change auditors to Moore Stephens LLP. The ARC has also considered the Audit Quality Indicators listed in the Audit Quality Indicators Disclosure Framework issued by the Accounting and Corporate Regulatory Authority of Singapore (“ACRA”) in assessing the suitability of Moore Stephens as the Company’s new Auditors. Moore Stephens LLP has confirmed that they are independent of the Group in accordance with the ACRA Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities and complied with the relevant ethical requirements regarding independence.

There is no reference in our Company’s constitution in relation to notice of nomination from shareholders on the appointment of the auditor.

QUESTIONS FROM SHAREHOLDER

Q1. With reference to page 91 of the Annual Report on “Operating Segments”, “External Revenues” for the “Security and Manpower Services” segment declined drastically by \$5.25 million (44.7%) from \$11.76 million in 2020 to \$6.51 million in 2021. How much of this decline was due to premature termination of aviation technicians’ contracts?

More than 50% of the decline can be attributed to the reduction in demand for technicians in the aviation industry.

Q2. With the recent expanded quarantine-free travel scheme, how much in recovery of aviation technicians’ contracts has the Group seen?

Since the second half of 2021, we have seen an up-tick in business from the aerospace industry, which consequently has led to increasing demand from our clients for aviation technicians. We foresee that this demand will pick up with the gradual opening of the aviation industry as highlighted by the government in their press releases.

Q3. With reference to page 91 of the Annual Report on “Operating segments”, the “Transportation services” segment’s “External cost of sales” (\$5.24 million) exceeded its “External Revenues” (\$5.21 million). While the Group stated that there was “a significant decline in the utilisation rate of our buses”, was there mispricing of chartering rates?

Decline in utilisation rate stems from less ad-hoc bookings, cancellation of school CCA activities, lower ridership of premium bus services, and cancellation of some corporate contracts due to more work-from-home arrangements. Our chartering rates remain competitive amongst the industry.

Q4. With reference to page 4 of the Annual Report, it was stated that “It has been a tough and challenging year as our engineering services attempt to focus on project and maintenance in the process industry in the midst of the COVID-19 pandemic. We have reduced our staffing numbers due to the pandemic.” Which sub-service(s) e.g. scaffolding/ insulation & passive fire protection/ electrical engineering was affected?

Covid-19 pandemic has affected the wider Singapore economy, and in turn, our various segments and sub-segments are all similarly affected.

Q5. With reference to the “Chairman’s Statement” in the Annual Report, it was stated that “Aedge will also be adopting a 2-prong approach for strategic acquisitions. The first being potential investments that would further enhance its manpower fulfilment capabilities, moving up the value chain to provide recruitment services for in-demand sectors that are currently facing difficulties filling up new roles.” What are these “in-demand sectors” that the Group has identified?

Given the government’s approach to anchor high value-added jobs and economic activities in Singapore as spelt out in their industry transformation road map, we foresee jobs that will help companies undertake manufacturing innovation, improve productivity through technology and digitalization to be in-demand for the next couple of years. This can range from very nascent fields such as artificial intelligence to code-programming for the fintech industry.

By Order of the Board

Mr. Poh Soon Keng
Executive Chairman and Chief Executive Officer
27 October 2021

Aedge Group Limited (the “Company”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 14 December 2020. The initial public offering of the Company was sponsored by UOB Kay Hian Private Limited (the “Sponsor”).

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of 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.

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