



**NORDIC GROUP LIMITED**

(Company Registration Number: 201007399N)

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**RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION  
(SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE  
FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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The board of directors (the "Board" or the "Directors") of Nordic Group Limited (the "Company", refers to the queries received from the Securities Investors Association (Singapore) ("SIAS") in respect of the Company's annual report for the financial year ended 31 December 2021, and wishes to provide its responses to the queries from SIAS below:

SIAS Question 1. As shown on pages 2 & 3 of the annual report, the group has businesses in:

- System Integration
- Maintenance, Overhaul and Trading
- Precision Engineering
- Scaffolding Services
- Insulation Services
- Petrochemical and Environment Engineering Services
- Cleanroom Air and Water Engineering Solutions

The group is in the process of acquiring all the shares in Starburst Holdings Limited. Starburst specialises in the design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems for shooting ranges and tactical training mock-ups with clients mainly from Singapore and the Middle East. These clients from the security industries are more exclusive to acquire and are in new regions for the group to tap in.

The company recognised Starburst's expertise in steel and concrete structures which can be applicable to lightweight and durable structures while the group's solutions in electrical and instrumentation, thermal and acoustic insulation as well as scaffolding services can benefit Starburst.

(i) Can the board/management quantify the synergies?

Company's response

The synergies are as follows:

1. Engineering competencies, know-how and resources of both Groups are complementary, and may be transferred and assimilated to build economies of scale and cost efficiencies and enhance overall productivity
2. Add civil and mechanical form structure products and services to Nordic Group
3. Increase market and client base by adding new clients and new sectors to both Groups
4. Strong potential for cross-selling of Nordic Group's electrical and instrumentation, insulation and scaffolding services to the clients of Starburst Group

The above synergies are not quantifiable as we are in the early stage of integration.

(ii) What risk assessment was carried out before the acquisition of Starburst?

Company's response

As Starburst is a listed company, due diligence was done based on public information available on the SGXNet. Starburst is an engineering company and the risk profile will be similar to Nordic Group's businesses as Nordic Group is also an engineering group.

(iii) In particular, does the group have the necessary expertise, network and bandwidth to drive the future growth of Starburst?

Company's response

Nordic Group does not deviate from our engineering core competencies and Starburst is no exception. With the latter, Nordic Group can leverage a new and expanded client network as well as utilise support services like scaffolding, insulation services and electrical and instrumentation services to drive the future growth of Starburst.

(iv) What is the intended level of integration of Starburst with the group? And what is the progress made in the integration?

Company's response

The integration plan will be a gradual process with the end goal being a complete integration to the Nordic Group, like the rest of Nordic Group's past acquisitions. We are making good progress aligning and integrating operationally (Strategic and Business, Finance and Accounting, Information Technology, Human Resource, Compliance, Health, Safety and Environment) with the appointment of management and personnel from Nordic Group to Starburst.

SIAS Question 2. As noted in the chairman's statement, oil prices have increased substantially, partly due to the armed conflict between Russia and Ukraine. The increase in oil prices is expected to support the oil majors in their operations and expansion, however the effect may not be realised immediately in the short-term due to lead time. Against this background, the group is cautiously optimistic for its Scaffolding, Insulation and Petrochemical & Environmental Engineering divisions to secure more orders going forward.

(i) Can management elaborate further on its strategy to position the group to capture the rebound in demand?

Company's response

We have always stayed close to the plant owners and main contractors so we would be considered when it comes to mega projects. Manpower and financial resources are in place to undertake any major contracts like what we had in the past. We plan for our materials requirement earlier taking into account the longer lead time with disruptions in the supply chain. We are also working closely with our customers on managing cost increases due to inflation and increase in commodities prices in terms of sharing cost increases and also increase productivity through automation.

(ii) What are the major opportunities in the next 18-24 months?

Company's response

The delayed CRISP project and others in the marine and security industries.

(iii) How affected is the group by the shortage of skilled manpower and the wage pressure?

Company's response

The shortage of skilled manpower and the wage pressure is not specific to us but a countrywide issue in Singapore. We have gradually replenished our skilled workforce over the past 2 years as we shared in our quarterly briefings slides on SGXNet. Some fresh and unskilled workers were hired and trainings were provided from the day they were with us. The full impact will be felt in 2024 when the new measures on foreign workers quota, levies and MYE will be implemented if we cannot transform by then.

(iv) In addition, with the recent spread of COVID-19 in China, can management provide shareholders with an update on the operational status and the sentiments on the ground?

Company's response

We are anticipating a lower revenue in 2Q2022 from our Precision Engineering division due to the lockdown of nearby cities of Shanghai, Kunshan, Wuxi and also strict restriction of inland transportation between inter-state and inter-cities since late March and still unlifted as of today. These controls have caused delays in the delivery of incoming materials and outgoing finished goods. Productivity has also been affected by alternate days of mandatory mass swap tests done at every estate.

(v) Out of the \$151.6 million worth of contract wins announced, \$90.1 million was secured by Starbust. Can management provide shareholders with a breakdown of the contract wins by business unit?

Company's response

As disclosed in our FY2021 Results Presentation slides lodged on SGXNet on 22 March 2022, the estimated Nordic's order book on 21 March 2022 was S\$175 million, comprising S\$107.5 million from Maintenance Services and S\$67.5 million from Project Services.

SIAS Question 3. As of 31 December 2021, the group's cash and cash equivalents amount to \$75.3 million, an increase from \$57.5 million a year ago. As shown in Note 21 (page 99 – Cash and cash equivalents), the full amount of \$75.3 million is not restricted in use and the interest-earning balances are not significant.

Total loans and borrowings increased to \$60.3 million due to a drawdown of loans which also increased cash and cash equivalents.

The group is in a net cash position of \$15.1 million as of 31 December 2021.

(i) Can management help shareholders understand the group's working capital management practices? What is the benefit of drawing down on loans and holding a relatively substantial cash amount of \$75.3 million when the borrowings are almost as high at \$60.3 million?

Company's response

We are building up cash for projects that are starting to pick up and for the acquisition of Starburst. We always ensure we have a strong balance sheet and sufficient banking facilities for sustainable cash flow and working capital.

The total cost of the Starburst acquisition is \$59.1 million, to be funded by internal resources and bank borrowings. The group will go from a net cash position to a net debt position. The proforma gearing ratio will be 0.29 times.

(ii) Will the board be setting a limit to the group's gearing?

Company's response

Our Group's gearing ratio limit is set at 1.5 times.

(iii) In addition, what guidance has the board given to management in terms of deal size and deal structure should the group carry out more acquisitions in the future?

Company's response

Our M&A strategy focuses on businesses (1) that are pertinent to our engineering footprint; (2) that offer the potential to broaden our existing products and services to our existing clients in all the industries and sectors we serve now; (3) that offer the potential to create synergies with our existing Group businesses and stimulate future revenue and profit growth; and (4) that extend our client footprint in new industry/sector/geography that we do not have a presence now.

All potential acquisitions are discussed at length at the Board covering accounting, tax, legal and regulatory compliance. Stress tests are done on bank covenants and cash flows available to service debts. We always keep deal size and structure within our financial capability to ensure sustainability.

**BY ORDER OF THE BOARD**

Chang Yeh Hong  
Executive Chairman  
20 April 2022