

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION  
(SINGAPORE) ON FY2018 ANNUAL REPORT**

---

The Board of Directors (the “**Board**”) of AA Group Holdings Ltd. (the “**Company**”) wishes to respond to the questions raised from the Securities Investors Association (Singapore) (the “**SIAS**”) in relation to the Annual Report issued by the Company in respect of the financial year ended 31 December 2018 (the “**Annual Report**”).

**SIAS Question 1:**

*The acquisition of Poh Huat Heng Corporation Pte. Ltd. (“**PHH**”) was completed in December 2018.*

**i. Has the integration of PHH been completed?**

**Board response:**

The integration of PHH has been completed. Mr. Lai Choong Hon, an Executive Director of the Company, was appointed as a director of PHH, and he overlooked the integration of PHH with the Company. Currently, the Company’s resources in relation to functions such as human resource, finance and administration are shared with PHH.

**ii. How synergistic is PHH to the group’s other businesses, namely W&P Precast Pte Ltd (“**W&P Precast**”) and W&P Corporation Pte Ltd (“**W&P Corporation**”)?**

**Board response:**

The businesses of PHH, W&P Precast and W&P Corporation are all in the construction industry. PHH is in the business of providing underground cable installation, road reinstatement and other related services, while W&P Precast and W&P Corporation are in the business of manufacturing precast concrete products and supplying and manufacturing ready-mix concrete products, respectively.

The synergy is achieved through W&P Precast and W&P Corporation supplying precast concrete products and ready-mix concrete products to PHH, for use in its underground cable installation and road reinstatement works. In supplying their products to PHH, W&P Precast and W&P Corporation gains a long-term customer and a stable revenue stream. Also, with its suppliers being in the same group of companies, PHH benefits from both timely supply and quality assurance of concrete products for its construction works.

This synergistic effect comes about because PHH is, and was even before the acquisition, a user and key customer of the products manufactured by W&P Precast and W&P Corporation. With the acquisition of PHH, the Group has moved downstream - from the role as manufacturer and supplier to the role as customer in the product life cycle of precast and ready-mix concrete products. The acquisition of PHH has also opened up new business opportunities with other civil engineering contractors in PHH’s construction projects, which could potentially become a new customer base for W&P Precast and W&P Corporation.

*It is observed that PHH was the previous shareholder of Engineering Manufacturing Services (S) Pte. Ltd. (“EMS”) and its subsidiaries, namely Germaxco Pte. Ltd. which the company acquired in February 2017. PHH was also the vendor of W&P Precast Pte. Ltd. which the company acquired in August 2017. The company also acquired W&P Corporation Pte Ltd on the same date from Ng Chuan Heng, Teo Siew Cheng, Chua Kim Hua, Tan Poh Guan, Tan Zhen Ying (Chen Zhenying) and Tan Jun Hao. The vendors of PHH are the same as the vendors of W&P Corporation Pte Ltd except for Chua Kim Hua.*

**iii. Do the independent directors consider the series of acquisition of EMS, W&P Precast and W&P Corporation and PHH to be linked? Do the acquisitions of all these new subsidiaries have the same effect as a reverse-takeover?**

The series of acquisition of EMS, W&P Precast, W&P Corporation and PHH are not linked and does not constitute as a reverse-takeover under Rule 1015 of the SGX-ST Listing Manual Section B: Rules of Catalist. There was no change in control of the Company as there was no change in controlling shareholder, nor change in majority control of the Board solely pursuant to the series of acquisitions.

After completion of the acquisition of EMS, Mr Lai Choong Hon, who was in contact with the shareholders of W&P Precast and W&P Corporation due to his position at the time as CEO of EMS, relayed to the Company that they were considering potential sale of these two companies. After internal discussions and negotiations with the counterparties, the Company decided to acquire W&P Precast and W&P Corporation. The Board proceeded with the acquisitions as it was of the view that these two companies were attractively priced, given that the construction industry at the time was at the trough of the market cycle.

Subsequently, the shareholders of PHH approached the Company for another sale, which the Company proceeded with, taking into consideration its established status and strong presence in the construction industry and the potential revenue it could bring to the Company.

Each of the abovementioned acquisitions were purely opportunistic from the Company's perspective, and each transaction entered into were strategic decisions made on separate occasions over a long period of time.

*From the total revenue of \$19.6 million, the group recognised gross profit of \$5.5 million. Net loss was \$(1.69) million from continuing operations for the financial year.*

**(iv) With all the newly acquired operating subsidiaries, can the board articulate the business model of the group and identify the key value drivers?**

Based on the diversification of business mandate approved at the extraordinary general meeting held on 10 March 2016, the Company has identified key areas to diversify into, namely the construction and property businesses. The Company subsequently looked into opportunistic buys in these sectors to strengthen its business operations and sources of revenue. Please refer to Question 1(ii) above for further description of the business model of the Group in relation to its construction business.

The Group's key value driver is in the diverse products and services offered by its various operating subsidiaries. This was achieved through the series of acquisitions over the past two years, and the Group is now focusing on organic business growth as well. This is the direction and benchmark that the Group hopes to expand on, in order to diversify and strengthen its revenue streams.

### **SIAS Question 2:**

*As announced on 14 January 2019, the company entered into a Memorandum of Understanding with OneAsia Network (Pte.) Ltd. to collaborate on the development of 60 Benoi Road as a data centre and/or for other purposes.*

- i. **Has the board analysed if there is the risk of an oversupply of data centre in Singapore, for at least the short term?**

#### **Board response:**

Under the Memorandum of Understanding (“**MOU**”), the Company only agreed to negotiate with OneAsia Network (Pte.) Ltd. (“**OneAsia**”) with regards to a potential joint venture, investment or collaboration for the development of 60 Benoi Road. Since the announcement of the MOU, the Company and OneAsia have only been in the preliminary stages of discussions on the commercial terms of the potential collaboration and the feasibility of the development project. Furthermore, the MOU does not restrict it to the development of data centres, and allows for the development of 60 Benoi Road for any other purposes. Nothing has been firmed up yet in relation to the potential collaboration with OneAsia or the nature of the development project, and the Company will provide updates as appropriate.

- ii. **As there are large and specialised data center operators/owners with global footprint, how does the group intend to compete with the big players to lease out the capacity?**

#### **Board response:**

Please refer to Question 2(i) above.

- iii. **What is the total investment earmarked for the data center?**

#### **Board response:**

Please refer to Question 2(i) above.

### **SIAS Question 3:**

*Following the worksite accident and the fine, a minor fire incident occurred at 60 Benoi Road, Singapore 629906 on 24 July 2018.*

- i. **Would the board consider it opportune to carry out an assessment of the group’s work safety framework and culture?**

#### **Board response:**

The Company has carried out an internal assessment on the Group’s existing work safety framework and culture with all the respective parties. The Group’s work safety framework and procedures have been revised to ensure compliance with the recommendations given by the Singapore Civil Defence Force and the Building and Construction Authority. Similarly, EMS has conducted a fire safety briefing for all relevant parties, including employees, explaining the cause of the minor fire incident and the newly implemented procedures moving ahead. Newly implemented procedures, such as regular checks by the management, have been imposed to ensure that all relevant parties adhere to the Group’s work safety framework and to prevent the occurrence of any such incidents in future.

- ii. **How are the board and the senior management addressing the issue of workplace safety so that shareholders and other stakeholders know that the group is committed to achieving the highest safety standards?**

**Board response:**

The Board and senior management have been working closely with the management team of EMS to ensure that the work safety procedures referred to in Question 3(i) are put in place and are being adopted by all relevant parties. Workplace safety practices will be reviewed regularly based on feedback from the employees to evaluate and ensure its effectiveness.

The Company is committed to upholding safety standards by imposing safety measures to prevent such incidents from occurring in future.

- iii. **Can management update shareholders on how the group's safety awareness and training has been improved since the worksite accident?**

**Board response:**

With respect to workplace safety, EMS has put in place a risk assessment policy whereby current standard operating procedures require the supervisor-in-charge/ contractor to complete a risk assessment form prior to the commencement of any work activity. The risk assessment form requires the supervisor-in-charge/ contractor to identify the potential hazards and evaluate the risk controls relating to each particular work activity in a project. In signing off the risk assessment form, the supervisor-in-charge/contractor undertakes to implement the relevant risk control measures, including briefing workers of potential hazards and training them on safety work practices. The completed risk assessment form is then submitted together with a name list of workers to the management team. All of the above has to be completed prior to the commencement of any work activity.

The management sends the employees for safety training courses conducted by the Singapore Workforce Skills and Qualifications, to keep them updated on the safety procedures. The management also sends the employees to attend occupational first aid courses, as well as refresher courses as and when needed to maintain the validity of their first aid certificates.

With respect to fire safety, EMS has appointed a Fire Safety Manager who implements fire safety activities and fire prevention measures to promote fire safety awareness. For example, the Fire Safety Manager conducts ad-hoc inspections once a month and advises on the actions required for any non-compliance with fire safety regulations. Additionally, in the latest quarterly Fire Safety Committee Meeting, the Fire Safety Manager highlighted the requirements for compliance with the Fire Safety (Petroleum & Flammable Materials) Regulations. In order to monitor for compliance with such safety standards, the management requires parties who use, handle or store hazardous chemicals (e.g. diesel) to submit a chemical register and a layout plan locating such chemicals.

**By Order of the Board**

Lai Choong Hon  
Executive Director  
26 April 2019

---

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement.*

*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 correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr. Bernard Lui, Telephone: +65 63893000, Email: bernard.lui@morganlewis.com.*