ACROMEC LIMITED

# FURTHERING OUR MISSION
# STRATEGICALLY FEARLESSLY

ANNUAL REPORT 2017

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This annual report for the financial year ended 30 September 2017 ("**Annual Report**") has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this Annual Report.

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

The contact person for the Sponsor is Mr Ong Hwee Li (Telephone no.: +65 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

# ACROMEC ABOUT

**We are an established specialist engineering services provider in the field of controlled environments. Our expertise is in the design and construction of facilities requiring controlled environments such as laboratories, medical and sterile facilities and cleanrooms.**

We specialise in architectural, mechanical, electrical and process ("**MEP**") works within controlled environments, and provide integrated services through our two main business segments: (1) engineering, procurement and construction, and (2) maintenance.

Our customers comprise mainly hospitals and medical centres, government agencies, research and development ("**R&D**") companies and agencies, R&D units of multinational corporations, tertiary educational institutions, pharmaceutical companies, semiconductor manufacturing companies, and multinational engineering companies.

## OUR VISION

To be the leading Specialist Engineering Company in the field of controlled environment preferred by customers, employees and investors.

## OUR MISSION

To consistently create and deliver market leading Engineering Services ahead of competition at competitive price through excellence in our operations.

## OUR CORE VALUES

### COMMITMENT

We devote ourselves completely to meet our commitments.

### EMPATHY

We understand and share the feelings of one another.

### INTEGRITY

We hold ourselves to the highest standards of fairness and honesty in everything we do.

### INNOVATION

We strive to create new ideas and translate them into value-added products and services to serve customers' needs.

### RESPECT

We value each other and recognise that everyone has a unique set of strengths that complement each other as a team.

# ACROMEC MILESTONES

## 1996 – 2001

### THE EARLY YEARS

Our Group's business was founded in 1996 by our Executive Directors, Lim Say Chin, Chew Chee Keong and Goi Chew Leng when they decided to venture into the engineering business, specialising in architectural and mechanical works within controlled environments.

We commenced business from a small office in Ubi Industrial Estate, where we initially took on sub-contracting works mainly for the electronics sector. By 2001, our work scope had expanded to include the full suite of engineering, procurement and construction services. We were awarded contracts from end-customers such as Chartered Silicon Partners Pte Ltd, Chartered Semiconductor Manufacturing Pte Ltd, and Hewlett Packard Singapore.

## 2001 – 2007

### DIVERSIFYING OUR BUSINESS

In 2001, we decided to expand our business and explore other business opportunities to reduce our dependency on the electronics sector. In 2002, we made a breakthrough in the biomedical science and research and academia sectors by securing projects for Viacell Singapore Research Centre and Novartis Institute of Tropical Diseases, which were located in Science Park II.

In 2003, we entered into the high containment laboratory space as awareness for the need for such facilities increased with the severe acute respiratory syndrome epidemic hitting Singapore shores. We secured our maiden high containment Biosafety Level 3 ("**BSL3**") laboratory project when we were commissioned by Novartis Institute of Tropical Diseases to set up their four-storey main research facility in Biopolis, which included a BSL3 laboratory.

Thereafter, we were subsequently commissioned to build two other BSL3 laboratories for Temasek Life Science Laboratory and the National Environment Agency at a time when there were few BSL3 laboratories in Singapore.

During this period, we continued to serve customers in the electronics sector, garnering repeat orders from existing customers and at the same time, securing orders from new customers such as ASE Singapore Pte Ltd, United Test and Assembly Centre Ltd, and ASM Technology Singapore Pte Ltd.

## 2007 – 2011

### GROWING OUR BUSINESS, OPERATING ON A HIGHER PLATFORM

With our strong track record, we began to operate on a higher platform by undertaking bigger scale and more complex projects as a main contractor.

Some of the notable projects during this period included:

- Laboratory and support space over two levels at Immunos located in Biopolis for A*Star.
- Drug research facility for Lilly Singapore Centre for Drug Discovery Pte Ltd.
- NUS-GE Singapore Water Technology Centre for the National University of Singapore ("**NUS**").
- A 21,000 sqm semiconductor testing and assembly facility, which included Class 100, Class 1,000 and Class 10,000 cleanrooms, central cooling plant, process cooling system, clean compressed air system and central vacuum system for ASE Singapore Pte Ltd.
- A manufacturing facility which included Class 100 and Class 1,000 cleanrooms, waste water treatment plant, ultra clean water plant, processed air exhaust system, and bulk and specialty gas system for FormFactor Singapore Pte Ltd.
- State-of-the-art cleanroom facility at the NUS Graphene Centre, where research into graphene, a new material, is conducted.

Our business during this period also broadened to include the design, assembly and supply of laboratory furniture, so as to better manage its quality. A notable contract was the teaching and laboratory facilities for the School of Physical and Mathematical Sciences at Nanyang Technological University.

# ACROMEC MILESTONES

## 2011 – 2012

### SCALING NEW HEIGHTS THROUGH ENTRY INTO THE HEALTHCARE SECTOR

In 2011, our Executive Directors saw tremendous growth potential in the healthcare sector due to the Singapore government's plans to build new hospitals and upgrade existing medical facilities.

Leveraging on our engineering expertise in controlled environments, we secured our maiden project in the healthcare sector where we were commissioned to construct ten operating theatres and a theatre sterile services unit for the ambulatory surgical centre at the National University Hospital ("**NUH**") Medical Centre.

In 2012, we secured another contract for the construction of one of the largest BSL3 laboratories in Singapore at The Academia at the Singapore General Hospital ("**SGH**").

## 2012 – PRESENT

### POISED FOR FURTHER GROWTH

From 2012 to 2014, we secured and completed our largest project worth more than S$20.0 million, which involved the fitting-out of a testing and assembly plant for a customer in the electronics sector.

Other notable projects in recent years include the following:

- The fitting-out of the BSL3 core facility at the NUS Yong Loo Lin School of Medicine.
- The construction of laboratories, including laboratories compliant with the Current Good Manufacturing Practice regulations and a technically challenging sniff sensory laboratory for research of fragrances used in personal products, at Procter & Gamble's Singapore Innovation Centre.
- The construction of facilities at Virtus Fertility Centre, including a fertility clinic and an embryology laboratory.
- The fitting-out of chemical processing laboratory at the Johnson Matthey Singapore Technology Centre.
- The fitting-out of fast-track state-of-the-art Class 1, Class 10 and Class 100 cleanrooms at Fusionopolis for A*Star.
- The fitting-out of state-of-the-art hybrid operating theatres at the National Heart Centre at SGH.
- The construction and fitting-out of day surgery operation medical centre for Aptus Surgery Centre at Level 7 Paragon, Orchard.
- The supply, installation and fitting-out of laboratory furniture for the DuPont Company Analytical Lab and Food Research Lab.
- The construction and fitting-out of manufacturing cleanroom facility and office for Biotronik.
- The provision of mechanical and electrical services for Waters Pacific's existing research lab.
- The construction and fitting-out of Centre for Assisted Reproduction (Care) at Block 5 Level 1 of SGH.
- The supply and installation of laboratory furniture, fume hood and safety cabinet for DSO National Laboratories' new chemical research laboratory.
- The fitting-out of Galleria's chemical laboratory, office and technical test salon for Procter & Gamble.
- The refurbishment and upgrading of Ward 53 at NUH.
- The fitting-out of operating theatre facilities at Level 2, NUH Kent Ridge Wing.
- The fitting-out of BSL3 laboratory for National Centre for Infectious Diseases ("**NCID**").
- The expansion of biopharmaceutical plant at Tuas for Lonza Biologics Tuas Pte Ltd.

In 2015 and 2016, we received recognition as a Singapore SME 1000 Company. We also garnered two awards in 2016: Runners-up for the Most Transparent Company Award (New Offer category) at the 17th Securities Investors Association (Singapore) Investors' Choice Award; and the 2016 Enterprise 50 (E50) award.

# CHAIRMAN'S **MESSAGE**

**LIM SAY CHIN**
*Executive Chairman and Managing Director*

## DEAR SHAREHOLDERS,

It gives me great pleasure to present the annual report for the financial year ended 30 September 2017 ("**FY2017**") ("**Annual Report**") of ACROMEC Limited ("**ACROMEC**" or the "**Company**", and together with its subsidiaries, the "**Group**"). Global growth in FY2017 was lacklustre, which was attributable mainly to China's economic slowdown, Brexit and the America First Policies.

Closer to home, the Singapore economy stayed sluggish amid a muted trade outlook, and this led to a slow-down in decision-making for capital expenditure on long-term infrastructure projects, both in the government and private sectors.

These developments worked against ACROMEC and compounded the operational challenges faced by the Group, as we experienced unexpected cost overruns on some of our major projects. In addition, we also faced intense competition and a persistently tight foreign labour market.

Despite these uncertainties, ACROMEC managed to record a stable revenue of S$43.54 million in FY2017, which was approximately the same as the revenue of S$43.50 million recorded for the financial year ended 30 September 2016 ("**FY2016**").

However, we recorded a net loss attributable to shareholders of S$4.59 million in FY2017 as compared to a net loss attributable to shareholders of S$0.58 million in FY2016. Net asset value per share for the Group was 5.72 cents as at 30 September 2017 as compared to 8.99 cents as at 30 September 2016.

As advised in our maiden Annual Report for FY2016 ("**FY2016 Annual Report**") that the Group would be facing increasing competition in FY2017, this has come to pass as more new players have entered the market and decreased profit margins for projects.

However, the fundamentals underpinning our business remain strong. We believe that our sound technical competence and unwavering commitment to quality will put us in good stead to weather the vagaries of the business climate. This is validated, and reflected, by our stable order book, even amidst the current challenging business environment.

During the year, our strategy was to prioritise and re-allocate a greater proportion of our resources, including manpower and business development, to higher-value projects, even as we re-entered the growing pharmaceutical space. We have also begun to re-focus on projects with industrial customers.

These steps have begun to yield positive results, with the awards of several contracts with a total value of approximately S$14.0 million, subsequent to FY2017, from well-known multinational corporations and/or existing customers. These contracts involve the fitting out and/or upgrading of laboratories with highly stringent technical specifications.

Over the years, ACROMEC has built a track record as a reliable specialist engineering service provider in the field of controlled environments. Therefore, we believe that the Group is well-positioned to take on high-specification, high-value projects that will sustain our competitive edge.

# CHAIRMAN'S MESSAGE

## REVIEW OF FINANCIAL PERFORMANCE

The Group's revenue remained stable at S$43.54 million for FY2017 as compared to S$43.50 million for FY2016.

The increase in cost of sales from S$38.38 million in FY2016 to S$42.36 million in FY2017 was due to low margins on a few of the Group's major projects as a result of unforeseen developments which were beyond our control that resulted in project cost overruns. That said, the affected projects have largely been completed and their impact have been accounted for in FY2017.

The Group re-entered the pharmaceutical industry market in the second half of this year with a "priced to win" strategy to secure our first project after a long while, in order to build up our track record.

Accordingly, gross profit decreased by approximately S$3.96 million or 77% from S$5.13 million in FY2016 to S$1.17 million in FY2017. Gross profit margins correspondingly dropped from 12% to 3% in the same period. A tight foreign labour market and intense competition were other factors that affected our gross profit margins in FY2017.

The increase in administrative expenses of approximately S$0.39 million and other operating expenses of about S$0.30 million was mainly due to the inclusion of administrative costs and other operating expenses of the Group's 60%-owned subsidiary, Golden Harvest Engineering Pte Ltd ("**Golden Harvest**"), which the Group acquired in FY2017.

The increase in the Group's finance cost in FY2017 was in line with the increase in the Group's borrowings, mainly attributed to Golden Harvest's bank loans for financing the purchase of its office premises and an investment property.

## REVIEW OF FINANCIAL POSITION

Current assets decreased by approximately 9% or S$1.89 million from S$21.36 million as at 30 September 2016 to S$19.47 million as at 30 September 2017. This was mainly due to decrease in trade receivables of S$3.12 million and amount due from contract customers of S$3.15 million, partially offset by the increase in cash and bank balances of S$4.32 million.

Trade receivables and amount due from contract customers decreased by approximately 40% and 73% respectively, due to better collection and a shorter period between completion of projects and billing.

Non-current assets increased significantly by S$3.71 million from S$0.32 million as at 30 September 2016 to S$4.03 million as at 30 September 2017. The increase was mainly due to the inclusion of Golden Harvest's investment property, which is valued at S$1.75 million and its property, plant and equipment, which are valued at S$1.68 million.

The Group's bank borrowings of S$1.95 million and finance leases of S$0.30 million were incurred by Golden Harvest to finance the purchase of its properties and motor vehicles, respectively.

Current liabilities as at 30 September 2017 increased by approximately 25% or S$2.73 million, as compared to the end of FY2016, due to the down payment received for new projects wins, increase in amounts due to contract customers, and increase in bills payable.

## REVIEW OF CASH FLOW

Overall, the Group's cash and cash equivalents as at 30 September 2017 increased by $4.12 million or 67% to S$10.23 million. This is mainly due to the cash generated from operating activities on the back of a quicker billing and collection cycle.

## LOOKING AHEAD: FURTHERING OUR MISSION

This year's Annual Report theme, "Furthering Our Mission. Strategically. Fearlessly", sums up the efforts that were undertaken by ACROMEC during FY2017, to lay the foundation for the Group's sustainable growth. Short-term

# CHAIRMAN'S MESSAGE

sacrifices such as the re-allocation of resources, were made by the Group to stay on course, to achieve its strategic objectives.

The Group continues to actively develop its business through direct negotiations and bidding for projects in the healthcare, research and academia, semiconductor and biomedical industries. Pharmaceutical companies, in particular, offer opportunities for the Group to engage in projects with higher barriers to entry for competitors. Pharmaceutical companies in the region are expected to upgrade and/or expand their production facilities to cater to the growing demand for healthcare products. This trend is underpinned by favourable demographics and local government support for the industry.

ACROMEC is constantly seeking and evaluating viable opportunities both locally and regionally, to grow its business. Such opportunities include reaching out to investors and the forming of strategic partnerships and joint ventures.

As ACROMEC moves up the value chain, we aim to be involved in the integration of systems from the various engineering disciplines such as piping, mechanical, electrical and instrumentation, structural, and heating, ventilation and air-conditioning.

From the cost perspective, we continue to review our current processes to improve operational efficiencies and manage its costs amid a tight foreign labour market. To reiterate, ACROMEC's quality assurance system, procedures and documentation, all meet stringent standards, even those set by the highly-regulated pharmaceutical industry, for its controlled environment spaces. This positions us well to bid for future high-value and high-specification projects.

On the Group's acquisition of Golden Harvest during FY2017, I had reported in the FY2016 Annual Report that this presents an opportunity for ACROMEC to expand its network of customers and service offerings and grow its recurring income base by offering maintenance services to larger scale facilities. Our acquisition paid off on this count, as our revenue from maintenance services has doubled in FY2017 as compared to FY2016. As such, our target to grow a sustainable income base remains on track and the margins in the maintenance segment remain strong and robust. We believe that the recurring income from maintenance services will add stability to our project-based business.

Competition is expected to remain keen and we must stay vigilant and nimble to ensure that our competitive edge is honed even as we face continued pressure on its margins.

## A RESPONSIBLE CORPORATE CITIZEN

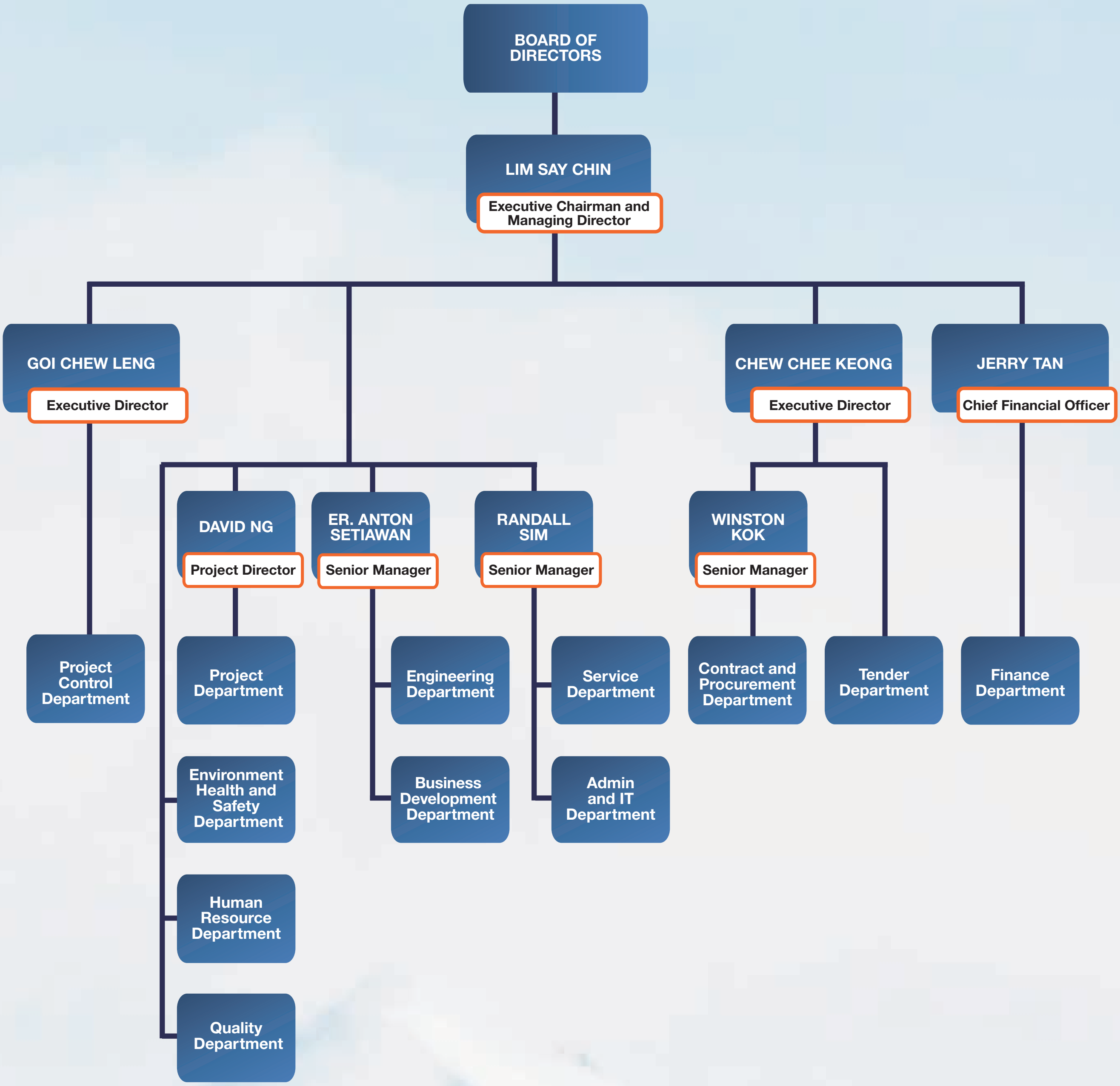
Our Group is committed to serving and giving back to the community. We recognise that for long-term sustainability, we need to achieve a balance between being profit driven and being a socially responsible corporate citizen.

During FY2017, we have continued our corporate social responsibility efforts where we adopted Lions Befrienders, a non-profit organisation who takes care of seniors who are socially detached, as our charity of choice. We organised two events during the year. Our goal is to befriend the senior citizens through time spent with them through fun events and meaningful activities such as terrarium making.

## ACKNOWLEDGEMENTS

FY2017 has been an extremely challenging year for us and I am thankful that we have the unwavering support of our shareholders, business associates and partners. I am also deeply appreciative of the Management and staff for their continued dedication and hard work. Finally, I would also like to thank the Board for their guidance and advice in steering the Company through these times.

# ORGANISATION CHART



# BOARD OF DIRECTORS

**MR. LIM SAY CHIN**
*Executive Chairman and Managing Director*

**Lim Say Chin** was appointed to our Board on 22 December 2015 and is our Executive Chairman and Managing Director. Lim Say Chin co-founded our Group with our Executive Directors, Chew Chee Keong and Goi Chew Leng. Before setting up our Group, he worked for about thirteen years and gained substantial experience in engineering and design, project management, and maintenance. Prior to founding the Group, in May 1991, Lim Say Chin joined Kyodo-Allied Industrials Pte Ltd where he was responsible for the business development of cleanroom business and related products. From September 1994 to August 1996, Lim Say Chin was a project manager in Hopkinson Engineering Pte Ltd where he was responsible for submission of tenders, design and management of projects. Since December 1996, Lim Say Chin has been the managing director of ACROMEC Engineers Pte Ltd ("**ACROMEC Engineers**") and has been responsible for formulating corporate strategies, as well as leading our business development and overseeing our design and engineering department. He is currently also responsible for the environment, health and safety, human resource and quality functions of our Group. Lim Say Chin graduated with a Technical Diploma in Mechanical Engineering in August 1983 and an Advanced Diploma in Building Services Engineering in August 1991, both from Ngee Ann Polytechnic. He subsequently obtained a Bachelor of Engineering degree with Honours in Mechanical Engineering from the University of Glasgow in July 1994.

**MR. CHEW CHEE KEONG**
*Executive Director*

**Chew Chee Keong** was appointed to our Board on 22 December 2015 and is our Executive Director. Together with Lim Say Chin, our Executive Chairman and Managing Director, and Goi Chew Leng, our Executive Director, Chew Chee Keong co-founded our Group. He currently oversees the tender activities, contract and procurement functions of the Group. He started his career as a mechanical engineer and was responsible for project planning, building services system design, project coordination as well as testing and commissioning of building services for residential and commercial buildings. In July 1996, Chew Chee Keong joined ACROMEC Engineers as a director. Chew Chee Keong graduated with a Diploma in Mechanical Engineering from Singapore Polytechnic in May 1989 and a Bachelor of Engineering degree with Honours in Mechanical Engineering from the University of Glasgow in July 1994. He is currently a non-executive director of Chew's Group Limited.

**MR. GOI CHEW LENG**
*Executive Director*

**Goi Chew Leng** was appointed to our Board on 22 December 2015 and is our Executive Director. Together with Lim Say Chin, our Executive Chairman and Managing Director, and Chew Chee Keong, our Executive Director, Goi Chew Leng co-founded our Group. He is currently responsible for project control functions of our Group. He also oversees the maintenance business, and office operations of our Group. He started his career as a project engineer where he was responsible for project management. He joined ACROMEC Engineers in January 1997 as a director. Goi Chew Leng graduated with a Diploma in Mechanical Engineering from Ngee Ann Polytechnic in August 1990 and a Bachelor of Engineering degree with Honours in Mechanical Engineering from the University of Glasgow in July 1994.

# BOARD OF DIRECTORS

**Yee Kit Hong** is our Lead Independent Director and was appointed to our Board on 16 March 2016. Prior to joining Ernst & Young in July 1982, he worked as a project accountant in Morrison Knudsen Low Keng Huat and as an accountant in Brown & Roots, as well as an audit senior in Wilson Green & Gibbs. He was an assurance and tax manager at Ernst & Young prior to his departure in September 1989. Since October 1989, Yee Kit Hong has been a partner at Kit Yee & Co, a firm providing audit, accountancy and taxation advice or related services. He is a principal partner responsible for providing assurance, advisory, consultancy and taxation services to clients. Yee Kit Hong is a fellow of The Institute of Chartered Accountants in England and Wales and a fellow of the Institute of Singapore Chartered Accountants. He is also admitted as an accredited tax practitioner by the Singapore Institute of Accredited Tax Professionals and a full member of the Singapore Institute of Directors. Yee Kit Hong graduated with a Bachelor of Accountancy degree from the University of Singapore in June 1971. He is currently an independent director of Global Palm Resources Holding Limited and Nam Cheong Limited.

**MR. YEE KIT HONG**
*Lead Independent Director*

**Pan Chuan-Chih George** is our Independent Director and was appointed to our Board on 16 March 2016. He has 22 years of experience in the heating, ventilation and air conditioning industry. George started his career in York International Corporation in 1995 and then joined The Trane Company in various capacities including sales, marketing and also as an executive director. Between 2012 and 2016, George joined Hong Leong Asia Ltd as the general manager of its S.E.A. Distribution business in charge of the distribution of air-conditioning and home appliance products. In 2016, George started his own company in distribution, service and maintenance of industrial air conditioning equipment. George graduated with a Bachelor of Engineering degree and obtained a Master of Business Administration degree, concentration in Executive Management in January 2001 from the University of La Verne.

**MR. PAN CHUAN-CHIH GEORGE**
*Independent Director*

**Elaine Beh Pur-Lin** is our Independent Director and was appointed to our Board on 16 March 2016. Elaine is a partner at Virtus Law LLP, a law firm in Singapore and her principal areas of practice are in capital markets and mergers and acquisitions. She graduated with a Bachelor of Law (Honours) degree from the National University of Singapore in 1989. She is an advocate and solicitor of the Supreme Court of Singapore and a member of the Law Society of Singapore and the Singapore Law Academy, and an ordinary member of the Singapore Institute of Directors. She is currently an independent director of Sanli Environmental Limited.

**MS. ELAINE BEH PUR-LIN**
*Independent Director*

# SENIOR **MANAGEMENT**

**MR. JERRY TAN**
*Chief Financial Officer*

**Jerry Tan** is our Chief Financial Officer and a key executive of our Group. He oversees the overall finance, treasury, tax and accounting functions of our Group, including internal controls and corporate governance, and ensuring compliance with regulations. He has more than 20 years of experience spanning audit, finance, accounting and compliance, having worked in companies listed in Hong Kong and Singapore. During the course of his career, he has held regional finance roles, overseeing various local and overseas finance teams, including setting up of regional subsidiaries of the group he was leading. Prior to joining the Group in September 2015, he was with Rotary Engineering Limited, a listed company in Singapore, as a senior manager (group finance) to oversee all compliance and financial reporting matters. He was also involved in setting up group policies and authority guidelines in Rotary Engineering Limited. Jerry graduated with a Bachelor of Accountancy with Honours degree from Nanyang Technological University in June 1995 and is a member of the Institute of Singapore Chartered Accountants.

**MR. DAVID NG**
*Project Director*

**David Ng** is our Project Director who leads and manages the department, and oversees implementation our engineering, procurement and construction projects. He is responsible for the administration and operation of such projects including project manpower deployment and the overall coordination. David has more than 40 years of experience in the construction industry. Throughout the course of his extensive career, besides managing and implementing projects, he has extensive experience in business development. In 1992, he joined Shinryo Corporation Singapore Pte Ltd as a senior business development manager and subsequently rose to the rank of an assistant general manager in 2002 where he was in-charge of overall project implementation and management. Prior to joining the Group in January 2015, he was a director at IAQ Engineering (Singapore) Pte Ltd where he spearheaded its setting up and was in charge of its management and operations. David joined the Group as Senior Project Manager and was promoted as our Project Director in October 2015. David graduated with a Bachelor of Science degree in Mechanical Engineering from Wiltshire University in June 2000.

**MR. WINSTON KOK**
*Senior Manager*

**Winston Kok** is our Senior Manager, Contract and Procurement who leads and manages the department to provide procurement controls, administrative and logistic support to project field operations. He has more than 30 years of experience in the construction industry. His experience was vast, ranging from project management, planning and supervision of site construction activities, operations, and business development. Prior to joining the Group, he was Nylect Engineering Pte Ltd's operations director/senior manager (business development) for local and overseas projects in Malaysia and the People's Republic of China ("**PRC**") and a country manager for Quest Technology (Suzhuo) Co Ltd, where he helped in operating the third party cleanroom certification business and project management in clean air environmental industry particularly in Thailand, Malaysia and the PRC. He has also worked as a project manager for Techniques Air-conditioning Pte Ltd. In September 2010, he joined the Group as Operations Manager, and was subsequently promoted to Senior Manager in 2014. He is currently a registered Licensed Electrical Worker with EMA Singapore.

# SENIOR MANAGEMENT

## MR. RANDALL SIM
*Senior Manager*

**Randall Sim** is our Senior Manager, overseeing the service, administration and IT department. In addition, he was also assigned to develop potential junior management staff in productivity improvement project. Randall has more than 20 years of experience in project management, manufacturing planning and business control in multinational including Fortune 500 multinational information technology solutions corporation listed in the United States of America ("**USA**"). In 2001, he was appointed as project manager in charge of product transfer from the USA and Europe to Singapore, and as business control manager to ensure the Division compliance with IBM corporate business control requirement. In 2004, Randall joined Amkor Technology Singapore Pte Ltd as senior manager heading manufacturing planning and customer service department. Randall setup a successful storage business in 2012, which was sold off to Singapore Post in 2015, prior to joining the Group in October 2015. Randall graduated with a Bachelor Degree in Computer Science with Business from SIM University in 2005.

## MR. ER. ANTON SETIAWAN
*Senior Manager*

**Er. Anton Setiawan** is our Senior Manager, Engineering and Business Development. He has 13 years of experience in mechanical & electrical ("**M&E**"), laboratory, and mission critical building design and fit-out. As Principal Engineer and Senior Manager in Engineering and Business Development, he leads and supervises a team of Business Development personnel, M&E engineers and designers. Prior to joining the Group in November 2016, Anton has completed various ranges of building and fit-out projects in Singapore and Southeast Asia, including laboratories, healthcare facilities, and mixed developments. He provides his expertise in heating, ventilation and air conditioning, compressed gases, and laboratory design which are in compliance with the Building and Construction Authority Regulation. As a certified Green Mark Professional and holding a Master of Science in Sustainable Building Design from University of Nottingham, Anton possesses know-how in holistic sustainable design which helps to reduce client's operational cost. In 2005, he joined Shinryo Corporation Singapore Pte Ltd as a mechanical engineer where he generally supports the engineering design, calculations and site testing and commissioning works. In 2008, he has also worked as an associate in the M&E Group at T.Y. Lin International Pte Ltd, supporting the delivery of multiple projects. Anton graduated with a Bachelor Degree in Mechanical Engineering from Nanyang Technological University in June 2005 and Master of Science in Sustainable Building Design from University of Nottingham in October 2012.

# WHAT **WE DO**


## MEDICAL AND STERILE FACILITIES

Environmental parameters in these facilities are controlled to provide clean environments to reduce risk of infection to patients and/or contain infectious diseases.

Medical and sterile facilities include operating theatres, theatre sterile services units, intensive care units, wards, isolation wards, and fertility centres.

We have built medical and sterile facilities for hospitals and medical centres such as NUH, SGH, Tan Tock Seng Hospital, Changi General Hospital, Virtus Fertility Centre and Aptus Surgery Centre.

# WHAT WE DO

## CLEANROOMS

A cleanroom is an enclosed space in which airborne particulates, contaminants and pollutants are kept within strict limits. Cleanrooms are typically used in manufacturing and scientific research.

Cleanrooms have various sizes and specifications, which comply with Class 1 or ISO 3 to Class 100,000 or ISO 8 standards.

We have built cleanrooms for customers such as STATS ChipPAC Ltd, A*Star and ASE Singapore Pte Ltd.

# WHAT WE DO

## LABORATORIES

Laboratories are built according to environmental parameters that provide controlled conditions for scientific or technological research, experiments or measurements to be performed.

There are many types of laboratories, ranging from forensic and diagnostic laboratories to containment laboratories for biomedical research and laboratories for research in chemicals and materials, clean technology, electronics and pharmaceutical products. Amongst the more sophisticated and challenging laboratories we have built are the BSL3 laboratories, which are high containment laboratories that allow work to be done with indigenous or exotic agents which may cause serious or potentially lethal diseases.

We have built laboratories for facility owners such as Procter & Gamble, SGH, NUS, NCID and Johnson Matthey Singapore Private Limited.

# WHAT WE DO

## MAINTENANCE

We provide maintenance and repair services for facilities and equipment of controlled environments and their supporting infrastructure. We provide both corrective and preventive or routine maintenance services to ensure reliability and minimal disruptions to our customers' operations. Our corrective maintenance services are available 24 hours a day and seven days a week whereas our preventive or routine maintenance work is carried out in accordance with an agreed schedule.

# OPERATIONS **REVIEW**

Operating Theatre

**ACROMEC** is a one-stop total solutions provider of engineering services to controlled environments, which forms an essential part of the ecosystems of the sectors that we serve. For example, researchers and doctors require specifically constructed laboratories and operating theatres to conduct cutting edge research and highly demanding operations, respectively. We are grateful and honoured to be able to provide services for the construction of such facilities for these possibly life-changing activities to be carried out.

We take pride in our depth of technical knowledge, wide-ranging expertise and robust operational processes that we have harnessed and refined over the last twenty years. To ensure that we stay ahead of the game, we are constantly reviewing these processes for continued robustness, effectiveness and efficiency. We also regularly adopt an innovative approach in our operations, from the design, construction and installation of equipment, to the testing, commissioning and handover of the facility to our customers, so as to continually improve our productivity. We believe that all these will put us in good stead as we scale up to execute more high specifications and high value-add projects.

This year, we embarked on projects in the pharmaceutical industry, executing a sizeable pharmaceutical plant project where we ensured compliance with the highly stringent pharmaceutical industry standards. Although there were hiccups along the way, we gained valuable experience from this project, making us more proficient and more able to execute similar jobs in the future. We have therefore successfully added the growing pharmaceutical industry to our portfolio, which includes customers from the biomedical, research and academia, healthcare and electronics sectors.

In FY2017, we effectively executed and delivered numerous projects which showcase the Group's transformation and growth over the last twenty years from a mere sub-contractor to a total solutions engineering specialist service provider. A list of our projects which have been completed in FY2017 and projects which are still on-going as at the time of the printing of this Annual Report are listed below:

# OPERATIONS REVIEW


## COMPLETED PROJECTS

### Mount Alvernia Hospital

(Completed in January 2017)

ACROMEC was appointed as the direct contractor by Mount Alvernia Hospital for additions and alterations to their existing operating theatres and supporting facilities at Level 4. The facilities include four operation theatres, two preparation rooms, four scrub rooms, and the supply and installation of the joineries and fitments for the male and female changing rooms. The additions and alterations works were to integrate various medical components such as the anesthesia pendant, surgical pendant and surgical lighting into an advanced one-touch control panel. This panel also incorporates air-conditioning controls, nurse call, air humidity and temperature controls. Moreover, the operation theatres utilise a lead-lined modular wall system that allows flexible conversion if necessitated by any future requirement changes.

### NUH – Ward 53

(Completed in March 2017)

ACROMEC was appointed as the main contractor for additions and alterations to the existing Ward 53 at Level 5 of the main building of NUH. The project was divided into four phases and comprised the refurbishment of the existing ward together with the introduction of new facilities such as the special purpose delirium room, a treatment room for mentally unstable patients. This project was undertaken in phases in a live ward which was operational for 24 hours a day and seven days a week. In order to minimise patients' discomfort and prioritise their safety, ACROMEC had to work within tight constraints and overcome the execution difficulties of this project.

### NUH – Kent Ridge Wing Operation Theatre

(Completed in April 2017)

ACROMEC was appointed as the main contractor by the NUH – Kent Ridge Wing Building for additions and alterations to the expansion of the operating theatres at Level 2. The scope of work included the demolition and upgrading of the existing operating theatres 3, 4, 6 and 7 to support the latest technological advancements and more sophisticated user requirements. The new operating theatres are lead-lined, which allow more invasive surgical procedures. Further, there are also extensive supporting washing areas which included stainless steel tables, sink table tops, cabinets, a mop wash sink, and a recessed eye wash. Clockwork precision and coordination was necessary in order to minimise disruption to other live medical activities which were in close proximity.

# OPERATIONS REVIEW

### Fusionopolis Tower C – Level 4

(Completed in April 2017)

ACROMEC was appointed as the main contractor for cleanroom fit-out works at Level 4 of the five-storey research building, Fusionopolis Tower C which is owned by A*Star. This project involved the construction of Class 10 and Class 100 cleanrooms; and the supply and installation of various integrated mechanical systems to ensure that the cleanrooms are in comply with the requirements for temperature, humidity, air particle count and air pressure. This project came on the back of a generally similar project at Tower C-2 of the same building, which was satisfactorily completed and delivered to its owners in May 2016.

### Admiralty Medical Centre

(Completed in May 2017)

ACROMEC was appointed as the nominated sub-contractor for the design-and-build of a theatre sterile supply unit ("**TSSU**") at the day surgery department. The TSSU is responsible for the decontamination, inspection, assembly, packing and terminal sterilisation of procedural instruments, surgical packs, utensils and equipment from the various departments. ACROMEC is proud to be tasked to set up this TSSU as it will be the first of its kind in Singapore where it is developed by the Housing Development Board.

## ON-GOING PROJECTS

### NCID – BSL3 Laboratory

ACROMEC has been appointed as the nominated contractor for fitting-out of a BSL3 laboratory for the NCID. NCID is a purpose-built facility at Tan Tock Seng Hospital, with both isolation and cohort wards as well as negative pressure rooms to control the spread of infectious diseases microbes. BSL3 is one of the highest level of bio-containment in Singapore, where stringent containment controls are required for research work on lethal infectious diseases. These controls include complex and intricate mechanical systems and air filtration techniques which thoroughly filter the air from the laboratory before it is recirculated or purged into the atmosphere.

### NUH – Centre for Oral Health Building/Service Building

ACROMEC has been appointed as the nominated sub-contractor to supply, deliver and install the laboratory furniture such as loose cabinets, fume hoods, steam cleaners, plaster sinks, exhaust hoods and plaster dispensers for the National University Centre for Oral Health, which will be the third national specialty centre of NUH. The Centre for Oral Health Building/Service Building will be providing patient-centric, multi-disciplinary

Ward

# OPERATIONS REVIEW

tertiary dental care, translational clinic research and clinic teaching within a single facility. The centre will also leverage on more extensive use of innovative technology.

**ASE SINGAPORE PTE LTD – Design and Build Class 1000 Cleanroom Facilities**

ACROMEC has been appointed as the main contractor by ASE Singapore Pte Ltd for additions and alterations to its existing office area at Level 2 of the main building. This project is divided into two phases and consists of refurbishment of the existing Class 10,000 wafer level chip scale package cleanroom. This project will be undertaken in phases in a live production area which is operational for 24 hours a day and seven days a week. In order to prioritise safety and minimise disruption of the live production, ACROMEC has to work within tight constraints to overcome the project's execution difficulties in converting the general office to a Class 10,000 cleanroom and also when upgrading the existing Class 10,000 cleanroom to a Class 1,000 cleanroom, which requires higher air quality control to meet the customer's needs.

**Pacific Fertility Institute (Singapore) Pte Ltd**

ACROMEC has been appointed as the main contractor by Pacific Fertility Institute (Singapore) Pte Ltd to design and build an in-vitro fertilisation medical facility at Level 8 of Royal Square at Novena, with an approximate floor area of 800 sqm. The medical facility will comprise a clinic, procedure rooms, and a laboratory. The laboratory is required to meet the certified laboratory standard and will be constructed according to our exclusive laboratory planning, full air-conditioning and mechanical ventilation system design.

**Sengkang General Hospital – Medical Pendant**

ACROMEC has been appointed as the nominated sub-contractor for the supply, installation, testing and commissioning of nearly a hundred medical pendants for intensive care units, high dependency units and department of emergency medicine in the proposed development of the integrated regional hospital, from Basement 2 to Level 4. Long-lead time and tie-in with various equipment and services that are already operational on site are the two main challenges of this project that ACROMEC foresees.

Laboratory

# OPERATIONS REVIEW


### Lonza Biologics – Road Runner Project

ACROMEC has been appointed as the MEP and engineering procurement and construction ("**EPC**") contractor, partnering with Amec Foster Wheeler by Lonza Biologics, a manufacturer of biopharmaceutical products using mammalian cell culture, for the construction of a new extension building. This project is located at 37 Tuas South Avenue 6, Singapore, covering an area of 1,680 sqm across three levels and is scheduled to be completed within six months. It includes fitting-out good manufacturing practice laboratories to comply with European Union standard classification grade C and grade D, which are required to meet particle counts standards during operational hours as well as non-operational hours. The extension building is specially designed to be an explosion-proof room for hazardous material and waste, with cold-rooms at temperatures ranging between 2°C to 8°C mechanical and electrical plant room. In order to ensure that the biopharmaceutical plant is up and running within the scheduled period, we have had to overcome various obstacles such as design confirmation and changes, sequence of works, and confirmation of the customer's validations standards. We have worked tirelessly to ensure that we meet the key priorities – time, quality and safety.

# GROUP STRUCTURE

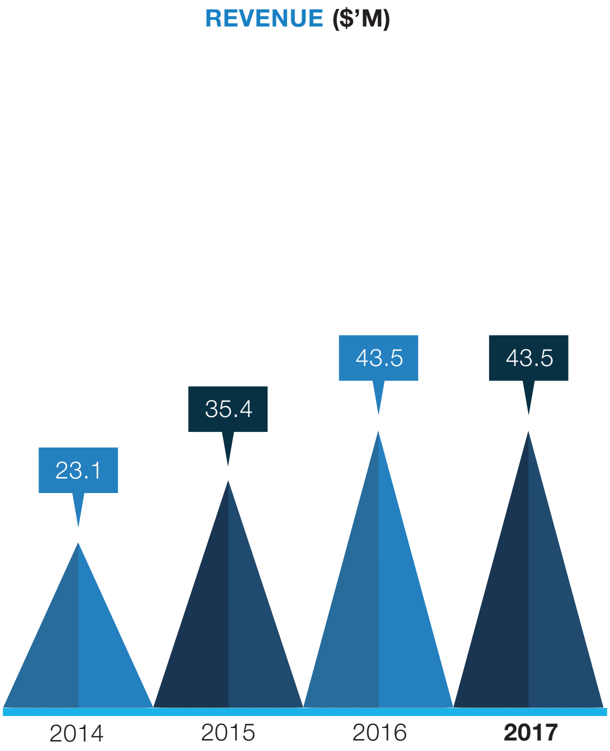

## Our Subsidiaries

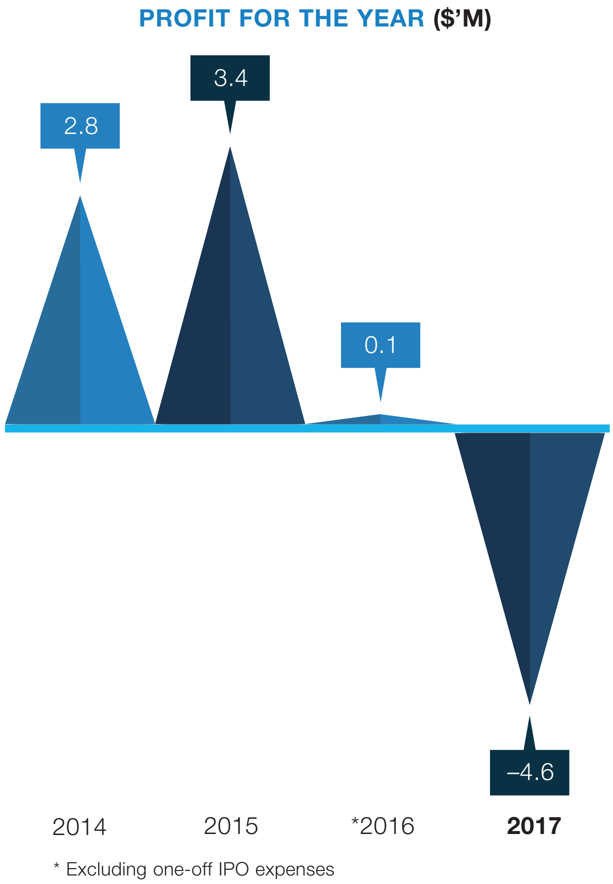
| Name | Date and place of incorporation | Principal place of business | Principal business activities | Paid-up capital | Effective equity interest held by Group |
|---|---|---|---|---|---|
| Acromec Engineers Pte Ltd | 12 August 1981, Singapore | Singapore | Specialist engineering services in the field of controlled environments | S$4,500,000 | 100% |
| Golden Harvest Engineering Pte Ltd | 23 June 1998, Singapore | Singapore | Maintenance and installation services for air-conditioning and mechanical ventilation systems | S$170,000 | 60% |

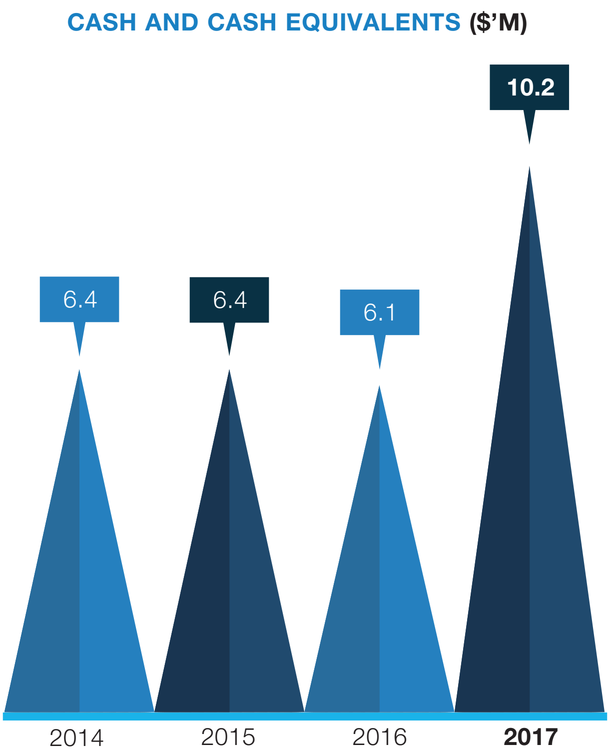
# GROUP PROPERTIES

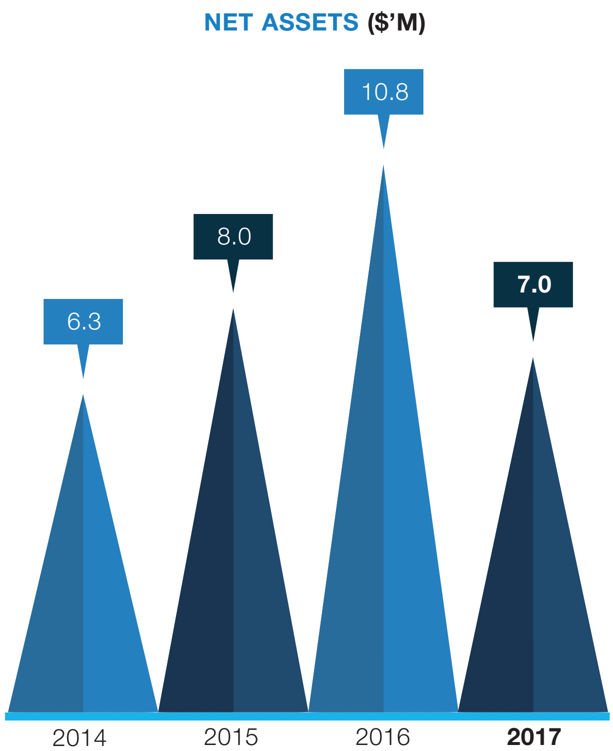
| Location | Description | Land area (sq. feet) | Tenure | Expiry date |
|---|---|---|---|---|
| 51 Bukit Batok Crescent #02-22 Unity Centre Singapore 658077 | Workshop and Office (own use) | 3,681 | Leasehold | June 2031 |
| 1 West Coast Drive #01- K15 NEWest Singapore 128020 | Property held for investment | 398 | Leasehold | September 2034 |

# FINANCIAL **HIGHLIGHTS**



# CORPORATE INFORMATION

## BOARD OF DIRECTORS:

**LIM SAY CHIN**
(Executive Chairman and Managing Director)

**CHEW CHEE KEONG**
(Executive Director)

**GOI CHEW LENG**
(Executive Director)

**YEE KIT HONG**
(Lead Independent Director)

**PAN CHUAN-CHIH GEORGE**
(Independent Director)

**ELAINE BEH PUR-LIN**
(Independent Director)

## AUDIT COMMITTEE:

**YEE KIT HONG** (Chairman)
**PAN CHUAN-CHIH GEORGE**
**ELAINE BEH PUR-LIN**

## NOMINATING COMMITTEE:

**ELAINE BEH PUR-LIN** (Chairman)
**YEE KIT HONG**
**PAN CHUAN-CHIH GEORGE**
**GOI CHEW LENG**

## REMUNERATION COMMITTEE:

**PAN CHUAN-CHIH GEORGE** (Chairman)
**YEE KIT HONG**
**ELAINE BEH PUR-LIN**

## COMPANY SECRETARY:

Wee Mae Ann

## REGISTERED OFFICE:

4 Kaki Bukit Avenue 1
#04-04 Kaki Bukit Industrial Estate
Singapore 417939
Tel: 67431300
Fax: 67431159

## SHARE REGISTRAR:

**BOARDROOM CORPORATE &**
**ADVISORY SERVICES PTE. LTD.**
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

## AUDITORS:

**DELOITTE & TOUCHE LLP**
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809

Partner in charge:
Lim Bee Hui
(from financial year 2016)

## PRINCIPAL BANKER:

**DBS BANK LTD**
**MALAYAN BANKING BERHAD, SINGAPORE BRANCH**

## CONTINUING SPONSOR:

**SAC CAPITAL PTE. LTD.**
1 Robinson Road
#21-02 AIA Tower
Singapore 048542

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# CORPORATE **GOVERNANCE REPORT**

ACROMEC Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is committed to maintaining a high standard of corporate governance. The Company understands that good corporate governance is an integral element of a sound corporation and enables it to be more transparent and forward-looking. In addition, sound corporate governance is an effective safeguard against fraud and dubious financial engineering, and hence helps to protect shareholders' interests. This also helps the Company to create long-term value and returns for its shareholders.

The Singapore Exchange Securities Trading Limited Listing ("**SGX-ST**") Manual Section B: Rules of Catalist (the "**Catalist Rules**") requires all listed companies to describe in their Annual Reports, their corporate governance practices, with specific reference to the principles of the Code of Corporate Governance 2012 (the "**Code**").

The Company is pleased to report on its corporate governance processes and activities as required by the Code ("**Report**"). For easy reference, sections of the Code under discussion in this Report are specifically identified. However, this Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

**Statement of Compliance**

The Board of Directors of the Company (the "**Board**" or the "**Directors**") confirms that for the financial year ended 30 September 2017 ("**FY2017**"), the Company has generally adhered to the principles and guidelines as set out in the Code, save as otherwise explained below.

**1. THE BOARD'S CONDUCT OF ITS AFFAIRS**

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.**

As at the date of this Report, the Board comprises the following members, all of whom have the appropriate core competencies and diversity of experience needed to enable them to effectively contribute to the Group.

| | |
|---|---|
| Lim Say Chin | Executive Chairman and Managing Director |
| Chew Chee Keong | Executive Director |
| Goi Chew Leng | Executive Director |
| Yee Kit Hong | Lead Independent Director |
| Pan Chuan-Chih George | Independent Director |
| Elaine Beh Pur-Lin | Independent Director |

The principal functions of the Board, in addition to carrying out its statutory responsibilities, inter alia, are as follows:

- overseeing and approving the formulation of the Group's overall long-term strategic objectives and directions, corporate strategy and objectives as well as business plans, taking into consideration sustainability issues;

# CORPORATE **GOVERNANCE REPORT**

- overseeing and reviewing the management of the Group's business affairs and financial controls, performance and resource allocation, including ensuring that the required financial and human resources are available for the Group to meet its objectives;
- establishing a framework of prudent and effective controls to assess and manage risks and safeguard shareholders' interests and the Group's assets;
- to review the Management's performance;
- to set the Group's values and standards and ensure that obligations to shareholders and other stakeholders are understood and met;
- to approve the release of the Group's half-year and full-year financial results and related party transactions of a material nature; and
- to assume the responsibilities for corporate governance.

All Directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interests of the Company.

The approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, major corporate actions such as share issuance, the release of the Group's half-year and full-year results, declaration of dividends and interested person transactions.

Directors may request to visit the Group's operating facilities and meet with the Group's management (the "**Management**") to gain a better understanding of the Group's business operations and corporate governance practices. Newly appointed Directors will receive a formal letter explaining their duties and responsibilities, and will undergo orientation and be briefed on the business and governance practices of the Group as well as industry-specific knowledge. No new Directors were appointed to the Board in FY2017.

All Directors who are appointed and who have no prior experience as directors of a listed company in Singapore will undergo training via courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry specific knowledge, where appropriate, in connection with their duties. They may also attend briefings on the roles and responsibilities as directors of a listed company in Singapore.

The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company. The external auditors update the Directors on the new or revised financial reporting standards on an annual basis.

To assist in the execution of its responsibilities, the Board has established three Board Committees, comprising an Audit Committee (the "**AC**"), a Nominating Committee (the "**NC**") and a Remuneration Committee (the "**RC**"). These committees function within clearly defined written terms of reference and operating procedures.

# CORPORATE **GOVERNANCE REPORT**

The Board meets regularly on a half-yearly basis and ad hoc Board Committee or Board meetings are convened when they are deemed necessary. In between Board meetings, other important matters will be tabled for the Board's approval by way of circulating resolutions in writing. The number of Board Committee and Board meetings held in FY2017 is set out below:

| | Board | Board Committees | | |
|---|---|---|---|---|
| | | AC | NC | RC |
| **Number of meetings held** | 2 | 2 | 1 | 1 |
| | Number of meetings attended | | | |
| Lim Say Chin | 2 | – | – | – |
| Chew Chee Keong | 2 | – | – | – |
| Goi Chew Leng | 2 | – | 1 | – |
| Yee Kit Hong | 2 | 2 | 1 | 1 |
| Pan Chuan-Chih George | 2 | 2 | 1 | 1 |
| Elaine Beh Pur-Lin | 2 | 2 | 1 | 1 |

The Constitution of the Company provides for meetings of the Board to be held by way of telephonic conference.

## 2. BOARD COMPOSITION AND GUIDANCE

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.**

The Board comprises six Directors, of whom three (constituting half of the Board) are independent, namely, Mr Yee Kit Hong, Mr Pan Chuan-Chih George and Ms Elaine Beh Pur-Lin. With three Independent Directors, there is a strong independent element on the Board. The Board is able to exercise independent judgment on corporate affairs and provide the Management with a diverse and objective perspective on issues. It also allows the Board to interact and work with the Management through a constructive exchange of ideas and views to shape the strategic process.

The independence of each Director is reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his or her independence based on the guidelines as set out in the Code. The criterion of independence is based on the definition set out in the Code. The Board considers an "independent" director to be one who has no relationship with the Company, its related companies, its shareholders with shareholdings of 10% or more of the total votes attached to all the voting shares in the Company, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. The NC and the Board are of the view that all its Independent Directors have satisfied the criteria of independence as a result of its review. There is no Director who is deemed to be independent by the Board notwithstanding the existence of a relationship set out in the Code, that would otherwise deem him or her not to be independent.

# CORPORATE **GOVERNANCE REPORT**

The independence of any Director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. As at the date of this Report, none of the Independent Directors have served on the Board for a period exceeding nine years from the date of their appointments.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business. There is therefore no individual or small group of individuals who dominate the Board's decision-making.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board, as a group, provides an appropriate balance of diversity of skills, experience, gender and knowledge of the Company, with core competencies in accounting and finance, legal expertise, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. This enables the Management to benefit from the external and expert perspectives of the Directors who collectively possess the core competencies relevant to the direction and growth of the Group.

Where necessary or appropriate, the Independent Directors on the Board will meet without the presence of the Management. The Independent Directors communicate regularly to discuss matters related to the Group, including the performance of the Management.

The profiles of our Directors are set out on pages 08 and 09 of this Annual Report.

## 3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

Mr Lim Say Chin is the Executive Chairman and Managing Director of the Company, responsible for formulating corporate strategies, leading the Group's marketing and business development activities as well as ensuring the smooth operation of the Group.

Despite the positions of Chairman and Managing Director being held by one individual, the Board is of the view that as all major decisions are made in consultation with the Board and with the establishment of the three Board Committees, there are adequate safeguards in place to ensure accountability and unfettered decision-making, as well as to prevent an uneven concentration of power and authority in a single individual. Further, the Board is of the view that the current Board composition is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up.

# CORPORATE **GOVERNANCE REPORT**

The Board collectively ensures the following:

- in consultation with the Management, the scheduling of meetings to enable the Board to perform its duties responsibly, while not interfering with the flow of the Company's operations;

- in consultation with the Management, the preparation of the agenda for Board meetings;

- in consultation with the Management, the exercise of control over the quality, quantity and timeliness of information between the Management and the Board, and the facilitation of effective contribution from the Independent Directors;

- effective communication with shareholders and compliance with corporate governance best practices; and

- compliance with the Company's guidelines on corporate governance.

In view that Mr Lim Say Chin is both the Executive Chairman and Managing Director, Mr Yee Kit Hong has been appointed as the Lead Independent Director. He is available to shareholders where they have concerns or issues which communication with the Company's Executive Chairman and Managing Director and/or Chief Financial Officer has failed to resolve or where such communication is inappropriate. Led by the Lead Independent Director, the Independent Directors meet without the presence of the other Executive Directors, when deemed necessary and at least once a year. Where appropriate, the Lead Independent Director provides feedback to the Executive Chairman after such meetings.

## 4. BOARD MEMBERSHIP

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

The NC is responsible for making recommendations on all board appointments and re-nominations, having regard to the contribution and performance of the Director seeking re-election.

The NC comprises Ms Elaine Beh Pur-Lin, Mr Yee Kit Hong, Mr Pan Chuan-Chih George and Mr Goi Chew Leng. The chairman of the NC is Ms Elaine Beh Pur-Lin. A majority of the NC, including the chairman, is independent. The chairman of the NC is not, and is not directly associated with, any substantial shareholder of the Company. The NC holds at least one meeting in each financial year.

The written terms of reference of the NC have been approved and adopted, and they include the following:–

(a) developing and maintaining a formal and transparent process for director appointments and re-nomination and making recommendations to the Board on director appointment including the appointment of alternate Directors, if any, and recommending to the Board re-nominations of existing Directors for re-election in accordance with the Company's Constitution, having regard to their competencies, commitment, contribution and performance;

(b) reviewing Board succession plans for the Directors, in particular, for the Executive Chairman and Managing Director;

# CORPORATE **GOVERNANCE REPORT**

(c) reviewing and approving any new employment of related persons and the proposed terms of their employment;

(d) determining on an annual basis whether or not a Director is independent having regard to Guideline 2.3 or 2.4 of the Code and any other salient factors;

(e) in respect of a Director who has multiple board representations on various companies, to review and decide whether or not such Director is able to and has been adequately carrying out his duties as a Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments;

(f) reviewing training and professional development programs for the Board; and

(g) developing a process for evaluating the performance of the Board, its committees and the Directors and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholders' value.

The NC determines annually whether a director is independent, taking into consideration the checklist completed by each independent director to confirm his independence. Such checklist is drawn up based on the guidelines provided in the Code. Having made its review, the NC is of the view that Mr Yee Kit Hong, Mr Pan Chuan-Chih George and Ms Elaine Beh Pur-Lin have satisfied the criteria for independence.

The Company does not have a formal selection criteria for the appointment of new directors to the Board. When the need for a new director arises, or where it is considered that the Board would benefit from the services of a new director with particular skills or to replace a retiring director, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for new directors, the NC may rely on search companies, personal contacts and recommendations for the right candidates.

Board appointments are made by the Board after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended the appointment to the Board. Pursuant to the Constitution of the Company, one-third of the Directors shall retire from office at the Company's annual general meeting every year, provided that all Directors shall retire from office at least once every three years. All newly appointed Directors who are appointed by the Board are required to retire at the next annual general meeting following their appointment. The retiring Directors are eligible to offer themselves for re-election. Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his or her own performance or re-nomination as Director.

# CORPORATE **GOVERNANCE REPORT**

The dates of initial appointment and last re-election of the Directors, together with their directorships in other listed companies, are set out below:–

| Director | Position | Date of Initial Appointment | Date of Last Re-election | Current directorships in listed companies | Past directorships in listed companies (in last three years) |
|---|---|---|---|---|---|
| Lim Say Chin | Executive Chairman and Managing Director | 22 December 2015 | 24 January 2017 | – | – |
| Chew Chee Keong | Executive Director | 22 December 2015 | 24 January 2017 | Chew's Group Limited | – |
| Goi Chew Leng | Executive Director | 22 December 2015 | 24 January 2017 | – | – |
| Yee Kit Hong | Lead Independent Director | 16 March 2016 | 24 January 2017 | Global Palm Resources Holdings Limited<br><br>Nam Cheong Limited | KOP Limited<br><br>Yinda Infocomm Limited |
| Pan Chuan-Chih George | Independent Director | 16 March 2016 | 24 January 2017 | – | – |
| Elaine Beh Pur-Lin | Independent Director | 16 March 2016 | 24 January 2017 | Sanli Environmental Limited | – |

According to Article 108 of the Company's Constitution, Mr Lim Say Chin and Mr Yee Kit Hong will retire at the Company's forthcoming annual general meeting ("**AGM**") of the Company and will be eligible for re-election. The NC has recommended the re-election of Mr Lim Say Chin and Mr Yee Kit Hong at the forthcoming AGM. There are no relationships, including immediate family relationships, between each of Mr Lim Say Chin and Mr Yee Kit Hong and the other Directors, the Company, its related corporations or its 10% shareholders. In recommending the re-election of Mr Lim Say Chin and Mr Yee Kit Hong, the NC has considered the Directors' overall contributions and performance. The Board has accepted the NC's recommendations.

# CORPORATE **GOVERNANCE REPORT**

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The NC is of the view that the matter relating to multiple board representations should be left to the judgement of each Director given that time requirements for different board representations vary. As such, the NC and the Board have decided that there is no necessity to determine the maximum number of listed company board representations which a Director may hold. None of the Directors hold more than three directorships in listed companies concurrently. There is currently no alternate Director on the Board.

Key information regarding the Directors, including their shareholdings in the Company, is set out on pages 44 and 45 of this Annual Report. None of the Directors hold shares in the subsidiaries of the Company.

## 5. BOARD PERFORMANCE

**Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

The Board's performance is linked to the overall performance of the Group. The Board ensures that the Company is in compliance with the applicable laws, and members of our Board are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of the Chairman and each individual Director to the effectiveness of the Board. In view of the size and composition of the Board, the Board deems it unnecessary for the NC to assess the effectiveness of each Board Committee.

The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. The NC assesses the Board's effectiveness as a whole by completing a Board Assessment Checklist, which takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control, and the Board's relationship with the Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance.

The NC assesses the individual Directors' performance by completing an Individual Director Assessment Checklist, which takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings and the technical knowledge of the Directors. The evaluation of individual Directors aims to assess whether each Director continues to contribute effectively and demonstrate commitment to the role, including commitment of time for Board and Board Committee meetings, and any other duties. The Executive Chairman will be briefed on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors, in consultation with the NC.

The NC, having reviewed the overall performance of the Board as a whole, as well as the performance of each individual Director, is satisfied with the performance of the Board and each individual Director for the period under review.

The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

# CORPORATE **GOVERNANCE REPORT**

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Group's business. They have also ensured that each Director, with his or her special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

## 6. ACCESS TO INFORMATION

**Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

The Company recognises that the flow of relevant, complete and accurate information on a timely basis is critical for the Board to discharge its duties effectively. As and when necessary, the Directors are furnished with updates on the financial position and any material developments concerning the Group to support their decision-making process. Upon request, the Management will provide any additional information needed for the Directors to make informed decisions.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

As a general rule, notices are sent to the Directors one week in advance of Board meetings, followed by the Board papers, in order for the Directors to be adequately prepared for the meetings.

The Board (whether individually or as whole) has separate and independent access to the Management and the Company Secretary at all times, and may seek independent professional advice, if necessary, at the expense of the Company. The Company Secretary attends all Board and Board Committee meetings and ensures that all Board procedures are followed. Where the Company Secretary is unable to attend any Board or Board Committee meeting, he ensures that a suitable replacement is in attendance and that proper minutes of the same are taken and kept. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act, Chapter 50 of Singapore, and the Catalist Rules. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

## 7. REMUNERATION MATTERS

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

The RC makes recommendations to the Board on the framework of remuneration, and the specific remuneration packages for each Director.

The RC comprises Mr Pan Chuan-Chih George, Mr Yee Kit Hong and Ms Elaine Beh Pur-Lin, all of whom are Independent Directors. The chairman of the RC is Mr Pan Chuan-Chih George. The RC holds at least one meeting in each financial year.

# CORPORATE **GOVERNANCE REPORT**

The written terms of reference of the RC have been approved and adopted, and they include the following:–

(a) reviewing and recommending to the Board a framework of remuneration for the Directors and executive officers and determining specific remuneration packages of each Director and executive officer. The RC shall cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, awards to be granted under the Company's performance share scheme, and benefits in kind;

(b) reviewing annually the remuneration, bonuses, pay increase and/or promotions of employees who are related to the Directors or substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;

(c) reviewing the Company's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or executive officers, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group;

(d) if necessary, seeking expert advice within and/or outside the Company on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and

(e) reviewing annually the remuneration package in order to maintain their attractiveness to retain and motivate the Directors and executive officers and to align the interests of the Directors and executive officers with the long-term interests of the Company.

The members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships. The RC has access to expert advice regarding executive compensation matters, if required. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY2017.

The RC's recommendations will be submitted for endorsement by the Board. No Director is involved in deciding his own remuneration.

The RC will continue to review the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

**8. LEVEL AND MIX OF REMUNERATION**

**Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel. The remuneration package is designed to allow the Company to better align the interests of the Executive Directors and key management personnel with those of shareholders and link rewards to corporate and individual performance.

# CORPORATE **GOVERNANCE REPORT**

The Independent Directors receive directors' fees for their effort and time spent, responsibilities and contribution to the Board, subject to shareholders' approval at annual general meetings. The Independent Directors are not over-compensated to the extent that their independence may be compromised. Remuneration for the Executive Directors comprises a basic salary component and a variable component that is the incentive bonus, based on the performance of the Group as a whole.

The Company has entered into fixed-term service agreements with the Executive Chairman and Managing Director, Mr Lim Say Chin and the Executive Directors, Mr Chew Chee Keong and Mr Goi Chew Leng. The service agreements are valid for an initial period of three years with effect from the date of admission of the Company to Catalist of the SGX-ST. Upon the expiry of the initial period of three years, the employment of each Mr Lim Say Chin, Mr Chew Chee Keong and Mr Goi Chew Leng shall be automatically renewed on a year-to-year basis on the same terms or otherwise on such terms and conditions as the parties may agree in writing. During the initial period of three years, either party may terminate the service agreements at any time by giving the other party not less than six months' notice in writing, or in lieu of notice, payment of an amount equivalent to six months' salary based on the director's last drawn monthly salary. The Executive Directors are also entitled to receive an annual incentive bonus based on the audited profit before tax ("**PBT**") of the Group. The amount of the incentive bonus is subject to the Group achieving certain predetermined PBT targets.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

The Company recognises the importance of motivating each employee and in this regard, the Acromec Performance Share Scheme (the "**Scheme**") was approved at the extraordinary general meeting on 16 March 2016. Details on the Scheme are set out in the Company's offer document dated 6 April 2016 (the "**Offer Document**") as well as the Directors' Statement and Notes to Financial Statements set out in the Annual Report. The Scheme is administered by the Remuneration Committee and one Executive Director. No award was granted under the Scheme in FY2017.

## 9. DISCLOSURE ON REMUNERATION

**Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

The Board is of the view that full disclosure of the specific remuneration of each individual Director and key management personnel is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

# CORPORATE **GOVERNANCE REPORT**

The level and mix of remuneration paid or payable to the Directors and executive officers for FY2017 are set out as follows:–

| Remuneration bands | Salary & CPF % | Bonus % | Director's Fee % | Other Benefits % | Total % |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| **$250,001 to $500,000** | | | | | |
| Lim Say Chin | 91 | – | – | 9 | 100 |
| Chew Chee Keong | 91 | – | – | 9 | 100 |
| Goi Chew Leng | 92 | – | – | 8 | 100 |
| **Less than $250,000** | | | | | |
| Yee Kit Hong | – | – | 100[(1)] | – | 100 |
| Pan Chuan-Chih George | – | – | 100[(1)] | – | 100 |
| Elaine Beh Pur-Lin | – | – | 100[(1)] | – | 100 |
| **Key Management Personnel** | | | | | |
| **Less than $250,000** | | | | | |
| Jerry Tan | 99 | – | – | 1 | 100 |
| Ng Boon Lee[(2)] | 74 | 8 | – | 18 | 100 |
| David Ng | 83 | 7 | – | 10 | 100 |

**Notes:**

(1) Directors' fees are subject to approval by the shareholders of the Company at the forthcoming AGM.

(2) Resigned as Engineering Director of the Company on 15 May 2017.

There were no employees of the Company or its subsidiaries who were immediate family members of any Director or the Managing Director and whose remuneration exceeded S$50,000 during FY2017.

The aggregate remuneration paid to the above key management personnel of the Group (excluding the Executive Directors) in FY2017 amounted to S$445,150.

There are no termination, retirement or post-employment benefits that are granted to the Directors, Managing Director and the key management personnel of the Group. Currently, the Company has not implemented any employee share option schemes.

The Company adopted the Scheme on 16 March 2016, the details of which are set out in the Offer Document. The Scheme is administered by the Remuneration Committee and one Executive Director. No award was granted under the Scheme in FY2017. As at the end of FY2017, no awards had been granted under the Scheme.

# CORPORATE GOVERNANCE REPORT

## 10. ACCOUNTABILITY

**Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

The Board understands its accountability to the shareholders on the Group's performance, financial position and prospects. The objectives of the presentation of the annual and interim financial statements announcements to its shareholders are to provide the shareholders with a balanced and understandable analysis and explanation of the Group's financial performance and position, and prospects. In line with the Catalist Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements.

The Management understands its role in providing all members of the Board with management accounts and such explanation as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, financial position and prospects.

## 11. RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

The Company does not have a separate risk management committee. The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The external and internal auditors conduct annual reviews of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls, and risk management. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The Board has received assurance from the Executive Chairman and Managing Director and the Chief Financial Officer (a) that records have been properly maintained and the financial statements for FY2017 give a true and fair view of the Company's operations and finances, and (b) regarding the effectiveness of the Company's risk management and internal control systems.

# CORPORATE **GOVERNANCE REPORT**

Based on the assurance from the Executive Chairman and Managing Director and the Chief Financial Officer referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems of the Group, addressing financial, operational, compliance and information technology controls, were adequate and effective as at 30 September 2017.

**12. AUDIT COMMITTEE**

**Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference, which clearly set out its authority and duties.**

The AC comprises Mr Yee Kit Hong, Mr Pan Chuan-Chih George and Ms Elaine Beh Pur-Lin, all of whom are Independent Directors. The chairman of the AC is Mr Yee Kit Hong. No former partner or director of the Company's existing audit firm or auditing corporation is a member of the AC. The members of the AC have sufficient accounting or financial management expertise, as interpreted by the Board in its business judgment, to discharge the AC's functions. The AC holds at least two meetings in each financial year.

The written terms of reference of the AC have been approved and adopted, and they include the following:–

(a) reviewing the audit plans and scope of work of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls, the management letters on the internal controls and the Management's response, and monitoring the implementation of the internal control recommendations made by the external and internal auditors;

(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, prior to the incorporation of such results in the Company's annual report;

(c) reviewing the interim financial results and annual consolidated financial statements and the external auditors' report on the annual consolidated financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgements, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management to ensure the integrity of the financial statements of the Group and any announcements relating to the Company's financial performance, where necessary, before submission to the Board for approval;

(d) reviewing and discussing with the external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

(e) reviewing and ensuring the coordination between internal auditors, external auditors and the Management, including the assistance given by the Management to the auditors;

# CORPORATE GOVERNANCE REPORT

(f) considering the appointment and re-appointment of the external auditors, including their independence and objectivity, taking into account the non-audit services provided by the external auditors;

(g) reviewing and ratifying any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules, and approving interested person transactions where the value thereof amount to 3% or more of the latest audited NTA of the Group (either individually or as part of a series or are aggregated with other transactions involving the same interested person during the same financial year), or any agreement or arrangement with an interested person that is not in the ordinary course of business of the Group, prior to the Group's entry into the transaction, agreement or arrangement;

(h) making recommendations to the Board on the proposals to the shareholders with regard to the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(i) reviewing and approving the Group's foreign exchange hedging policies (if any), and conducting periodic reviews of foreign exchange transactions and hedging undertaken by the Group;

(j) reviewing the Group's compliance with the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time; and

(k) ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing the adequacy and effectiveness of the internal audit function at least annually.

The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation from the Management, and full discretion to invite any Director, executive officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The AC meets with the external and internal auditors without the presence of the Management, at least annually.

The external auditors update the AC on any changes in accounting standards impacting the financial statements of the Group before an audit commences. Significant matters that were discussed with the Management and the external auditors have been included as key audit matters in the Auditors' Report for FY2017 on pages 48 and 49 of this Annual Report.

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees paid to them. The AC received an audit report from the external auditors setting out the non-audit services provided and the fees charged for FY2017. A breakdown of the audit and non-audit fees paid to the Company's auditors is disclosed on page 89 of this Annual Report.

Having undertaken a review of the non-audit services provided during FY2017, the AC is of the view that the objectivity and independence of the external auditors are not in any way impaired by reason of their provision of non-audit services to the Group. Moreover, the AC is satisfied that these services were provided efficiently by the external auditors as a result of their existing knowledge of the business.

The Company has complied with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.

# CORPORATE **GOVERNANCE REPORT**

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees and external parties to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimization for whistle-blowing in good faith. Cases that are significant will be reviewed by the AC for adequacy of investigation actions and resolutions. A copy of this policy, including the contact details of the AC, is available on the Company's website.

## 13. INTERNAL AUDIT

**Principle 13: The company should establish an internal audit function that is adequately resourced and independent of the activities it audits.**

The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Group's assets. The Company outsources the internal audit function to an external professional firm to perform the review and test of controls of the Group's processes.

The AC approves the appointment of the internal auditors. The internal auditors report directly to the chairman of the AC and administratively to the Managing Director. The internal auditor has full access to the Company's documents, records, properties and personnel. The AC is satisfied that the internal audit firm is staffed by suitably qualified and experienced persons.

The internal auditors plan their internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified. The internal auditors carry out their work in accordance with International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC has reviewed and is satisfied with the adequacy and effectiveness of the Company's internal audit function.

## 14. SHAREHOLDER RIGHTS

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNet. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable.

Shareholders are informed of general meetings through notices published in the newspapers and through reports or circulars sent to all shareholders and via SGXNet. Any notice of general meeting is issued at least fourteen days before the scheduled date of such meeting. The Company encourages shareholders' participation during the general meetings. Shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

# CORPORATE **GOVERNANCE REPORT**

**15. COMMUNICATION WITH SHAREHOLDERS**

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

The Company recognises that effective communication leads to transparency and enhances accountability. The Company's half-year and full-year results announcements, announcements and press releases are issued via SGXNet, within the legally prescribed periods pursuant to the Catalist Rules where applicable. The Company discloses all material information in a timely manner to its shareholders via these announcements and press releases and ensures that price sensitive information is publicly released and is announced within the mandatory period. The Company does not practise selective disclosure. Price sensitive information is first publicly released either before the Company meets with any group of investors or analysts, or simultaneously with such meetings.

The Company has outsourced its investor relations function to Waterbrooks Consultant Pte Ltd, who facilitates communications with shareholders and analysts, attend to their queries or concerns and keep them apprised of the Group's corporate developments and finance performance.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. It was disclosed in the Offer Document that the Board intends to declare and distribute dividends of at least 20.0% of the Group's net profit attributable to shareholders for FY2016 and FY2017 to its shareholders. However, taking into consideration the Group's financial performance for FY2017, the Board decided not to recommend any payment of final dividends.

**16. CONDUCT OF SHAREHOLDER MEETINGS**

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

All shareholders of the Company will receive the Annual Report and the notice of the annual general meeting. The notice will also be advertised in a local newspaper and made available on SGXNet. The Company encourages shareholders' participation at annual general meetings. The Constitution of the Company currently allows a shareholder of the Company to appoint up to two proxies to attend and vote at general meetings in place of the shareholder, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two proxies but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

All shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Company's external auditors are also present to assist the Board in addressing any relevant queries from shareholders relating to the conduct of audit and the preparation and content of the auditor's report. Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

# CORPORATE **GOVERNANCE REPORT**

The Company also ensures that there are separate resolutions at general meetings on each distinct issue and supports the Code's principles as regards to "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will provide reasons and material implications accordingly. The Company will put all resolutions to vote by poll and announce the detailed results after the conclusion of the annual general meeting.

## DEALINGS IN SECURITIES

In compliance with the Catalist Rules on dealings in securities, Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company shall not deal in and prohibits dealings in its shares by its Directors, officers and employees during the period commencing one month before the announcement of the Company's half-year and full-year financial statements, and ending on the date of the announcement of the results.

## RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks, as well as appropriate measures through which to control and mitigate these risks. The Management reviews all significant control policies and procedures, and highlights all significant matters to the Board and the AC.

In response to the increasing scale and complexity of operations, the Group has also adopted the enterprise risk management framework ("**ERM Framework**") which is in line with the ISO31000 – Risk Management and Guidelines and the recommended best practices standard. The ERM Framework will be reviewed regularly, taking into the account changes in the business and operation environments as well as evolving corporate governance requirements. Identified risks that affect the achievement of the business objectives and financial performance of the Group over a short-medium term are summarised in the Group's risks register, and are ranked according to their likelihood and consequential impact to the Group as a whole. The identified risks are then managed and mitigated by counter measures.

The ERM Framework is not intended to and does not replace the internal control framework that the Group has in place, but rather incorporates the internal control framework within it. The Group is able to leverage on the ERM Framework to satisfy internal control needs and to move towards a fuller risk management process.

## INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

During FY2017, the Group did not enter into any interested person transactions of S$100,000 and more. The Group does not have a general mandate pursuant to Rule 920 of the Catalist Rules for interested person transactions.

# CORPORATE **GOVERNANCE REPORT**

## MATERIAL CONTRACTS

There were no material contracts of the Group involving the interests of the Executive Chairman and Managing Director, each Director or controlling shareholder, either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

## NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, SAC Capital Private Limited, in FY2017.

## USE OF IPO PROCEEDS

The utilisation of the net proceeds from the Company's initial public offering as of 31 December 2017 is set out as below:

| | | Amount allocated S$'million | Amount utilised S$'million | Balance amount S$'million |
|---|---|---|---|---|
| (a) | Working capital to expand our business operations through securing more projects and projects of a larger scale | 3.50 | 3.50[1] | – |
| (b) | Expansion through acquisitions, joint ventures and/or strategic alliances and venturing into new geographical markets | 1.00 | 0.64[2] | 0.36 |
| | **Total** | **4.50** | **4.14** | **0.36** |

**Notes:**

(1) Utilised for the settlement of supplier invoices for the Group's projects.

(2) Utilised for the payment of purchase consideration for the acquisition of 60% of the issued and paid-up share capital of Golden Harvest.

# DIRECTORS' **STATEMENT**

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended September 30, 2017.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 53 to 95 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at September 30, 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Lim Say Chin
Chew Chee Keong
Goi Chew Leng
Yee Kit Hong
Pan Chuan-Chih George
Elaine Beh Pur-Lin

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

# DIRECTORS' STATEMENT

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

| | Shareholdings registered in name of director | | Shareholdings in which directors are deemed to have an interest | |
|---|---|---|---|---|
| **Name of directors and company in which interests are held** | **At beginning of year** | **At end of year** | **At beginning of year** | **At end of year** |
| | **Ordinary shares** | | **Ordinary shares** | |
| Lim Say Chin[(1)] | 9,000,000 | 9,000,000 | 66,270,645[(2)] | 66,130,645[(2)] |
| Chew Chee Keong[(1)] | 9,000,000 | 9,000,000 | 66,270,645[(2)] | 66,130,645[(2)] |
| Goi Chew Leng[(1)] | 9,000,000 | 9,000,000 | 66,270,645[(2)] | 66,130,645[(2)] |
| Yee Kit Hong | 100,000 | 100,000 | – | – |
| Pan Chuan-Chih George | 100,000 | 100,000 | – | – |
| Elaine Beh Pur-Lin | 50,000 | 50,000 | – | – |

(1) By virtue of section 7 of the Singapore Companies Act, these directors are deemed to have an interest in all the related corporations of the Company.

(2) These directors are deemed interested in the shares held by Ingenieur Holdings Pte. Ltd. by virtue of their controlling interest in Ingenieur Holdings Pte. Ltd.

The directors' interests in the shares and options of the Company at October 21, 2017 were the same at September 30, 2017.

## 4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

# DIRECTORS' **STATEMENT**

## 5 AUDIT COMMITTEE

The Audit Committee of the Company, comprising all non-executive directors, is chaired by Mr Yee Kit Hong, the Lead Independent Director, and includes independent directors Mr Pan Chuan-Chih George, and Ms Elaine Beh Pur-Lin. The Audit Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) The audit plans and scope of work of the external and internal auditors, including the results of the external and internal auditors' review and evaluation of the system of internal controls, management letters on the internal controls and management's response, and monitor the implementation of the internal control recommendations made by the external and internal auditors;

(b) The interim financial results and annual consolidated financial statements and the external auditor's report on the annual consolidated financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgements, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from the audits including any matters which the auditors may wish to discuss in the absence of management to ensure the integrity of the financial statements of the Group and any announcements relating to the financial performance before submission to our Board of Directors for approval;

(c) The adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, prior to the incorporation of such results in the annual report;

(d) Any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position and the management's response;

(e) The independence and objectivity of the external auditors, taking into account the non-audit services provided by the external auditors, if any;

(f) The coordination among the internal auditors, the external auditors and the management, including assistance given by our management to the auditors;

(g) Interested person transactions falling within the scope of Chapter 9 of the Catalist Rules, and approve interested person transactions where necessary;

(h) Any potential conflicts of interests and set out a framework to resolve or mitigate such potential conflicts of interests;

# DIRECTORS' **STATEMENT**

**5 AUDIT COMMITTEE** (CONTINUED)

(i) The policy and procedures by which employees of the Group may, in confidence, report to the Chairman of the Audit Committee, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and appropriate follow-up actions in relation thereto; and

(j) The proposals to the Shareholders with regard to the appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors.

The Audit Committee has full access to and has the cooperation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

**6 AUDITORS**

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

**Lim Say Chin**
Director

**Chew Chee Keong**
Director

December 29, 2017

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ACROMEC LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of Acromec Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at September 30, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 95.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at September 30, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of *Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACROMEC LIMITED

**Key Audit Matters**

| Key audit matters | How the scope of our audit responded to the key audit matters |
|---|---|
| **Accounting for construction contracts** | |
| Revenue from engineering, procurement and construction projects is recognised in proportion to the stage of completion of the contract. The stage of completion is determined by the external independent quantity surveyors' or the Group's internal project engineers' estimates.<br><br>This revenue accounted for approximately 89% of the total revenue of the Group. Contract accounting and its associated areas of estimates and judgements includes the following:<br><br>• the estimation of total contract costs to completion;<br><br>• forecast the profit margin after consideration of variation orders and claims; and<br><br>• ascertain whether circumstances exist where total contract costs exceed total contract revenues which would result in the expected loss being recognised as an expense immediately. | Our audit procedures on the contract revenue and costs included, amongst others, the following:<br><br>• evaluated management's process on accounting for contract revenues and tested the key relevant controls around contract revenue recognition;<br><br>• selected sample of significant contracts and performed amongst others, the following audit procedures:<br><br>(a) examination of contract documentation and discussions on the status of contracts where construction is in progress with senior management of the Group;<br><br>(b) reviewed and challenged components of budgets, cost committed to date and discussed with project management personnel regarding their assessment of probable actual costs, potential foreseeable losses and status of the selected projects;<br><br>(c) checked that contract revenue was recognised in accordance with the stage of completion. This is measured by the stage of completion of physical proportion of the contract work completed as determined by external independent quantity surveyors' or the Group's internal project engineers' estimates;<br><br>(d) evaluated the competency, capabilities, objectivity of the quantity surveyors engaged by management; and<br><br>(e) recomputed the revenue and costs recognised for the current financial year based on the respective contract.<br><br>We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements in Note 8. |

# INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ACROMEC LIMITED

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair view financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACROMEC LIMITED

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS** (CONTINUED)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACROMEC LIMITED

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS** (CONTINUED)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms Lim Bee Hui.

**Deloitte & Touche LLP**
Public Accountants and
Chartered Accountants
Singapore

December 29, 2017

# STATEMENTS OF **FINANCIAL POSITION**

SEPTEMBER 30, 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2017** | **2016** | **2017** | **2016** |
| | | **S$** | **S$** | **S$** | **S$** |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | 6 | **13,464,960** | 9,141,778 | **1,058,889** | 2,152,284 |
| Trade receivables | 7 | **4,675,321** | 7,792,124 | **–** | – |
| Amounts due from contract customers | 8 | **1,177,236** | 4,325,256 | **–** | – |
| Other receivables, deposits and prepayments | 9 | **147,790** | 102,631 | **638,760** | 3,232,608 |
| Loan to a subsidiary | 10 | **–** | – | **300,000** | 1,800,000 |
| Total current assets | | **19,465,307** | 21,361,789 | **1,997,649** | 7,184,892 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | **2,004,694** | 324,055 | **–** | – |
| Investment property | 12 | **1,748,487** | – | **–** | – |
| Goodwill | 13 | **277,518** | – | **–** | – |
| Investment in subsidiaries | 14 | **–** | – | **10,792,825** | 6,218,040 |
| Total non-current assets | | **4,030,699** | 324,055 | **10,792,825** | 6,218,040 |
| Total assets | | **23,496,006** | 21,685,844 | **12,790,474** | 13,402,932 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bank loans | 18 | **105,169** | – | **–** | – |
| Trade and other payables | 15 | **8,816,715** | 9,147,384 | **287,419** | 1,608,654 |
| Bill payables | 16 | **2,173,380** | 586,192 | **–** | – |
| Amounts due to contract customers | 8 | **2,216,996** | 1,039,390 | **–** | – |
| Finance leases | 17 | **86,045** | – | **–** | – |
| Tax payable | | **79,693** | 98,207 | **30,000** | 30,000 |
| Total current liabilities | | **13,477,998** | 10,871,173 | **317,419** | 1,638,654 |
| **Non-current liabilities** | | | | | |
| Bank loans | 18 | **1,844,875** | – | **–** | – |
| Other payables | 15 | **120,383** | – | **120,383** | – |
| Finance leases | 17 | **217,813** | – | **–** | – |
| Deferred tax liabilities | | **59,093** | – | **–** | – |
| Total non-current liabilities | | **2,242,164** | – | **120,383** | – |
| Total liabilities | | **15,720,162** | 10,871,173 | **437,802** | 1,638,654 |
| **Capital and reserves** | | | | | |
| Share capital | 19 | **12,529,036** | 11,752,743 | **12,529,036** | 11,752,743 |
| Merger reserve | 20 | **(4,718,040)** | (4,718,040) | **–** | – |
| (Accumulated losses) Retained earnings | | **(805,206)** | 3,779,968 | **(176,364)** | 11,535 |
| Equity attributable to owners of the Company | | **7,005,790** | 10,814,671 | **12,352,672** | 11,764,278 |
| Non-controlling interests | | **770,054** | – | **–** | – |
| Total equity | | **7,775,844** | 10,814,671 | **12,352,672** | 11,764,278 |
| Total liabilities and equity | | **23,496,006** | 21,685,844 | **12,790,474** | 13,402,932 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

YEAR ENDED SEPTEMBER 30, 2017

| | Note | Group 2017 S$ | Group 2016 S$ |
|---|---|---|---|
| **Revenue** | 21 | **43,537,019** | 43,501,885 |
| Cost of sales | | **(42,363,924)** | (38,375,250) |
| **Gross profit** | | **1,173,095** | 5,126,635 |
| Other operating income | 22 | **166,078** | 170,326 |
| Administrative expenses | | **(5,163,858)** | (4,774,188) |
| Other operating expenses | | **(648,396)** | (1,063,207) |
| Finance costs | 23 | **(63,808)** | (6,826) |
| **Loss before income tax** | 24 | **(4,536,889)** | (547,260) |
| Income tax expense | 25 | **(13,130)** | (30,000) |
| **Loss for the year/period, representing total comprehensive loss for the year/period** | | **(4,550,019)** | (577,260) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(4,585,174)** | (577,260) |
| Non-controlling interests | | **35,155** | – |
| | | **(4,550,019)** | (577,260) |
| **Loss per share ("EPS"):** | | | |
| Basic and diluted (cents) | 26 | **(3.76)** | (0.55) |

See accompanying notes to financial statements.

# STATEMENTS OF **CHANGES IN EQUITY**

YEAR ENDED SEPTEMBER 30, 2017

| | Note | Share capital S$ | Merger reserve S$ | Retained earnings (Accumulated losses) S$ | Equity attributable to owners of the Company S$ | Non-controlling interests S$ | Total S$ |
|---|---|---|---|---|---|---|---|
| Group | | | | | | | |
| Balance as at October 1, 2015 | | 1,500,000 | – | 6,518,040 | 8,018,040 | – | 8,018,040 |
| *Transactions with owners, recognised directly in equity:* | | | | | | | |
| Issuance of shares at date of incorporation, December 22, 2015 | 19 | 3 | – | – | 3 | – | 3 |
| Issue of shares pursuant to Restructuring Exercise | 19 | 6,218,040 | – | – | 6,218,040 | – | 6,218,040 |
| Movement in reserve resulting from Restructuring Exercise | 20 | (1,500,000) | (4,718,040) | – | (6,218,040) | – | (6,218,040) |
| Issue of shares pursuant to the Initial Public Offering ("IPO") | 19 | 5,534,700 | – | – | 5,534,700 | – | 5,534,700 |
| Dividends: | | | | | | | |
| Paid to previous shareholders of subsidiary before IPO | 27 | – | – | (1,800,000) | (1,800,000) | – | (1,800,000) |
| Paid to owners of the Company | 27 | – | – | (360,812) | (360,812) | – | (360,812) |
| Total | | 10,252,743 | (4,718,040) | (2,160,812) | 3,373,891 | – | 3,373,891 |
| Loss for the period, representing total comprehensive loss for the period | | – | – | (577,260) | (577,260) | – | (577,260) |
| Balance as at September 30, 2016 | | **11,752,743** | **(4,718,040)** | **3,779,968** | **10,814,671** | **–** | **10,814,671** |
| *Transactions with owners, recognised directly in equity:* | | | | | | | |
| Non-controlling interest arising from acquisition of a subsidiary | 28 | **–** | **–** | **–** | **–** | **734,899** | **734,899** |
| Issue of share capital | 19 | **776,293** | **–** | **–** | **776,293** | **–** | **776,293** |
| Total | | **776,293** | **–** | **–** | **776,293** | **734,899** | **1,511,192** |
| (Loss) Profit for the year, representing total comprehensive (loss) income for the year | | **–** | **–** | **(4,585,174)** | **(4,585,174)** | **35,155** | **(4,550,019)** |
| Balance as at September 30, 2017 | | **12,529,036** | **(4,718,040)** | **(805,206)** | **7,005,790** | **770,054** | **7,775,844** |

See accompanying notes to financial statements.

# STATEMENTS OF **CHANGES IN EQUITY**

YEAR ENDED SEPTEMBER 30, 2017

| | Note | Share capital S$ | Retained earnings (Accumulated losses) S$ | Total S$ |
|---|---|---|---|---|
| Company | | | | |
| Issuance of shares at date of incorporation, December 22, 2015 | 19 | 3 | – | 3 |
| *Transactions with owners, recognised directly in equity:* | | | | |
| Issue of shares pursuant to Restructuring Exercise | 19 | 6,218,040 | – | 6,218,040 |
| Issue of shares pursuant to the Initial Public Offering (“IPO”) | 19 | 5,534,700 | – | 5,534,700 |
| Dividends | 27 | – | (360,812) | (360,812) |
| Total | | 11,752,740 | (360,812) | 11,391,928 |
| Profit for the period, representing total comprehensive income for the period | | – | 372,347 | 372,347 |
| Balance as at September 30, 2016 | | **11,752,743** | **11,535** | **11,764,278** |
| *Transactions with owners, recognised directly in equity:* | | | | |
| Issue of share capital | 19 | **776,293** | **–** | **776,293** |
| Loss for the year, representing total comprehensive loss for the year | | **–** | **(187,899)** | **(187,899)** |
| Balance as at September 30, 2017 | | **12,529,036** | **(176,364)** | **12,352,672** |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED SEPTEMBER 30, 2017

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| **Operating activities** | | |
| Loss before income tax | **(4,536,889)** | (547,260) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **354,764** | 119,093 |
| Depreciation of investment property | **1,513** | – |
| Interest income | **(27,479)** | (33,982) |
| Interest expense | **63,808** | 6,826 |
| (Loss) Gain on disposal of plant and equipment | **(12,010)** | 6,969 |
| Operating cash flows before movements in working capital | **(4,156,293)** | (448,354) |
| Trade receivables | **3,630,345** | (2,178,506) |
| Other receivables, deposits and prepayments | **(10,804)** | 26,908 |
| Amounts due from contract customers – net | **4,325,626** | 2,235,988 |
| Trade and other payables | **(644,092)** | (2,040,311) |
| Bill payables | **1,587,188** | 197,053 |
| Cash generated from (used in) operations | **4,731,970** | (2,207,222) |
| Income taxes paid | **(107,682)** | (651,718) |
| Interest received | **27,479** | 29,294 |
| Net cash from (used in) operating activities | **4,651,767** | (2,829,646) |
| **Investing activities** | | |
| Purchase of property, plant and equipment | **(242,736)** | (300,171) |
| Proceeds on disposal of property, plant and equipment | **12,275** | – |
| Acquisition of a subsidiary, net of cash acquired (Note 28) | **312,460** | – |
| Net cash from (used in) investing activities | **81,999** | (300,171) |
| **Financing activities** | | |
| Dividends paid | **–** | (2,160,812) |
| Increase in fixed deposits pledged | **(206,229)** | (506,160) |
| Proceeds on issue of shares (net of capitalised expenses) | **–** | 5,534,703 |
| Repayment of finance leases | **(54,083)** | (10,587) |
| Repayment of bank loans | **(292,693)** | – |
| Interest paid | **(63,808)** | (6,826) |
| Net cash (used in) from financing activities | **(616,813)** | 2,850,318 |
| Net increase (decrease) in cash and cash equivalents | **4,116,953** | (279,499) |
| Cash and cash equivalents at beginning of year/period | **6,114,364** | 6,393,863 |
| **Cash and cash equivalents at end of year/period (Note A)** | **10,231,317** | 6,114,364 |

**Note A:**

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Cash at bank and on hand | **10,231,317** | 5,111,929 |
| Fixed deposits | **–** | 1,002,435 |
| Cash and cash equivalents at end of year/period (Note 6) | **10,231,317** | 6,114,364 |

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 1 GENERAL

The Company (Registration No. 2016440003M) is incorporated in the Republic of Singapore with its registered office and principal place of business at 4 Kaki Bukit Avenue 1, #04-04 Kaki Bukit Industrial Estate, Singapore 417939. The Company was listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") on April 18, 2016. The financial statements are expressed in Singapore dollars.

The principal activities of the company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended September 30, 2017 were authorised for issue in accordance with a resolution of the Board of Directors on December 29, 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(c) Level 3 inputs are unobservable inputs for the asset or liability.

# NOTES **TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS – On October 1, 2016, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*[1]
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*[1]
- FRS 116 *Leases*[2]

[1] Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

[2] Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above new/revised FRS in future periods is not expected to have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except for the following:

***FRS 109 Financial Instruments***

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements for FRS 109 that may be relevant to the Group:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk to be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt FRS 109.

***FRS 115 Revenue from Contracts with Customers***

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipates that the initial application of the new FRS 115 may result in changes to the accounting policies relating to revenue recognition and revenue will be recognised when (or as) a performance obligation is satisfied. Additional disclosures for trade receivables, amounts due from/to contract customers and revenue may be required, including any significant judgement and estimation made. Management is currently still assessing the possible impact of implementing FRS 115. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

# NOTES TO FINANCIAL STATEMENTS



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***FRS 116 Leases***

FRS 116 was issued in June 2016 and will supersede FRS 17 Leases and its associated interpretative guidance.

The standard provides a comprehensive model for the identification of leases arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

FRS 17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases the Group enters into. Under FRS 116, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short term leases upon the application for FRS 116. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists. Management is currently still assessing the possible impact of implementing FRS 116. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the above new FRS 116.

IFRS convergence in 2018

Singapore-incorporated companies listed on the Singapore Exchange (SGX) will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending September 30, 2019, with retrospective application to the comparative financial year ending September 30, 2018 and the opening statement of financial position as at October 1, 2017 (date of transition).

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect any changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs on the equivalent FRSs.

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1. The preliminary assessment above may be subject to change arising from the detailed analysis.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION – The Group was resulted from the Restructuring Exercise on March 15, 2016 involving an entity under common control. Accordingly, the consolidated financial statements had been accounted for using the principles of merger accounting where financial statement items of the merged entities for the reporting periods in which the common control combination occurs were included in the consolidated financial statements of the Group as if the consolidation had occurred from the date when the merged entities first came under the control of the same shareholders.

All significant intercompany transactions and balances between the entities in the Group are eliminated on combination.

For all other entities that are to be consolidated within the Group after 2016, control is achieved where the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

# NOTES **TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investment in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer are measured in accordance with FRS 102 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

# NOTES TO FINANCIAL STATEMENTS



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a contractual party to the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

**Financial assets**

Loans and receivables

Trade and other receivables, and loan to a subsidiary that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables) are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

# NOTES **TO FINANCIAL STATEMENTS**



## 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

CONSTRUCTION CONTRACTS – Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the percentage of completion of the contract activity at the end of the reporting period, as measured by the percentage of the physical proportion of the contract work completed as determined by quantity surveyors' or project engineers' estimates. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to contract customers (billings in excess of costs). Amounts received before the related work is performed are included in the statement of financial position, as a liability, as amounts due to contract customers. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Renovation | – | 3 years |
| Furniture and fittings and office equipment | – | 3 years |
| Computer equipment | – | 3 years |
| Motor vehicles | – | 6 years |
| Factory machinery | – | 3 years |
| Leasehold property | – | 60 years |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged on the cost of the investment property in equal annual installments over 60 years.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquire and the fair value of the acquirer's previously held equity in the acquire (if any), the excess if recognised immediately in profit or loss as a bargain purchase gain.

# NOTES **TO FINANCIAL STATEMENTS**



## 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL – At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT GRANTS – Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for customer returns, rebates and other similar allowances.

Revenue from projects is recognised as described in the Note 2 to the financial statements under Construction Contracts.

Revenue from rendering of other services that are of a short duration is measured at the fair value of the consideration received or receivable when services are completed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATIONS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination.

FOREIGN CURRENCY TRANSACTIONS – The consolidated financial statements of the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise fixed deposits, cash at bank and on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

SEGMENT REPORTING – An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses.

Operating segments are reported in a manner consistent with the internal reporting provided to members of management and the chief operating decision makers who are responsible for allocating resources and assessing performance of the operating segments.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical judgements in applying the Group's accounting policies***

Management is of the opinion that there are no critical judgments that have a significant effect on the amounts recognised in the financial statements, except for the key sources of estimation uncertainty as disclosed below.

***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Assessment of recoverability of debts

The assessment of recoverability of trade and other receivables of the Group is based on the ongoing evaluation of collectability and ageing analysis of the outstanding debts and on management's estimate of the ultimate realisation of these receivables, including creditworthiness and the past collection history of each debtor. An allowance is made for doubtful debts for estimated losses resulting from the subsequent inability of the customer to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future period. The carrying amounts of trade and other receivables at the end of the reporting period are disclosed in Notes 7 and 9 to the financial statements.

Project revenue and costs

As described in Note 2 to the financial statements, revenue and costs associated with a project are recognised as revenue and expenses respectively by reference to the stage of completion of a project activity at the end of the reporting period, using quantity surveyors' or project engineers' estimates. When it is probable that the total project costs will exceed the total project revenue, the expected loss is recognised as an expense immediately. These computations are based on the presumption that the outcome of a project can be estimated reliably.

Management has performed the cost studies, taking into account the costs to date and costs to complete for each project. Management has also reviewed the status and the physical proportion of the contract work completed of such projects and is satisfied that the estimates to complete are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery. In addition, management has assessed each project individually according to its technical requirements and circumstances in order to estimate project cost accrual.

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and where the amount of such claims and variation orders can be measured reliably.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was S$277,518 (2016: S$Nil). Details of the goodwill is provided in Note 13 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Useful life of investment property

Depreciation of investment property is charged so as to write-down the value of the investment property to its residual value over its respective useful life. Management is required to assess the useful life and residual values of the investment property so that depreciation is charged on a systematic basis to the carrying amount. Depreciation is charged on the cost of the investment property in equal annual installments over 60 years. As at the end of the reporting period, the net carrying value of investment property amounted to S$1,748,487 (2016: S$Nil).

Useful lives of property, plant and equipment

Depreciation of property, plant and equipment is charged so as to write-down the value of these assets to their residual value over their respective useful lives. Management is required to assess the useful lives and residual values of the assets so that depreciation is charged on a systematic basis to the carrying amount. As at the end of the reporting period, the net carrying value of property, plant and equipment amounted to S$2,004,694 (2016: S$324,055).

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **S$** | **S$** | **S$** | **S$** |
| **Financial assets** | | | | |
| Loans and receivables (including cash and cash equivalents) | **19,403,935** | 21,308,411 | **1,981,405** | 7,147,814 |
| **Financial liabilities** | | | | |
| Amortised cost | **13,205,891** | 9,733,576 | **249,313** | 1,608,654 |
| Contingent consideration for a business acquisition | **158,489** | – | **158,489** | – |

### (b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### (c) *Financial risk management policies and objectives*

Management monitors and manages the financial risks relating to the operations of the Group to ensure appropriate measures are implemented in a timely and effective manner. These risks include market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

(i) Interest rate risk management

The Group's exposure to interest rate risk are restricted to its interest bearing bank balances, bills payables, finance leases and bank loans as disclosed in Notes 6, 16, 17 and 18 respectively.

The Group adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance and/or refinance its working capital requirement.

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year would decrease/increase by S$20,617 (2016: S$2,931). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(ii) Foreign exchange risk management

Foreign exchange risk arising from changes in foreign currency exchange rates has a financial effect on the company in the current reporting period and in future years. The Group's balances and transactions are predominantly in Singapore dollars, which is its functional currency.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currency are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **S$** | **S$** | **S$** | **S$** |
| United States dollars | **185,954** | 26,957 | **131,313** | – |
| Euro | **3,563** | 346,539 | **1,168,324** | – |

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

*Foreign exchange risk sensitivity analysis*

The sensitivity rate used when reporting foreign currency risk to key management personnel is 10%, which is the change in foreign exchange rate that management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at period end.

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, the Group's loss before income tax will decrease (increase):

| | **2017** | **2016** |
|---|---|---|
| | **S$** | **S$** |
| United States dollars | **5,464** | 2,696 |
| Euro | **(116,476)** | 34,654 |

If the relevant foreign currency weakens by 10% against the functional currency of each group entity, the Group's loss before income tax will increase (decrease) by the same amount above.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

There is a concentration of credit risk as 42.8% (2016: 36.7%) of the Group's trade receivables at the end of the reporting period relates to two customers (2016: one customer).

Further details of credit risks on trade receivables are disclosed in Note 7 to the financial statements.

Cash and bank balances are held in creditworthy financial institutions.

(iv) Liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its obligations as and when they fall due. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuation in cash flows. The management of the Group manages liquidity risk by maintaining adequate reserves and actual cash flows and matching the maturity profiles of financial assets and liabilities to the extent possible.

# NOTES TO FINANCIAL STATEMENTS



## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

All financial assets and financial liabilities as at the end of the reporting period are non-interest bearing and are repayable on demand or due within 1 year from the end of the reporting period, except for fixed deposits, bill payables, finance leases payables and bank loans which are interest bearing as disclosed in Notes 6, 16, 17 and 18 to the financial statements respectively.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

| | Weighted average effective interest rate | On demand or within 1 year | Within 2 to 5 years | After 5 years | Adjustment | Total |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **2017** | | | | | | |
| Non-interest bearing | **–** | **8,778,609** | **–** | **–** | **–** | **8,778,609** |
| Finance lease liabilities (fixed rate) | **5.57** | **97,356** | **246,624** | **–** | **(40,122)** | **303,858** |
| Variable interest rate instruments | **4.16** | **2,389,438** | **571,259** | **1,562,142** | **(399,415)** | **4,123,424** |
| Contingent consideration (Note 28) | **5.25** | **40,000** | **133,000** | **–** | **(14,511)** | **158,489** |
| | | **11,305,403** | **950,883** | **1,562,142** | **(454,048)** | **13,364,380** |
| **2016** | | | | | | |
| Non-interest bearing | – | 9,147,384 | – | – | – | 9,147,384 |
| Variable interest rate instruments | 5.25 | 616,967 | – | – | (30,775) | 586,192 |
| | | 9,764,351 | – | – | (30,775) | 9,733,576 |

# NOTES **TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2017

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(v) Fair value of financial assets and financial liabilities

The carrying value of the cash and cash equivalents, trade and other receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial assets and financial liabilities, except contingent considerations (Note 28) amounting to S$158,489, has been valued based on present value of the probability of weighted payoff using a discount rate of 5.25% per annum. As the final payment is dependent on the subsidiary's performance, a 5% increase/decrease to the profit after tax of the subsidiary for both financial years ended 30 September 2017 and 2018 will result in an increase/decrease in fair value by S$8,066.

***(d) Capital management policies and objectives***

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes finance leases (Note 17), bank loans (Note 18) and bill payables (Note 16), and equity attributable to owners of the Group, comprising issued capital, net of reserves and retained losses.

The Group's overall strategy remains unchanged from prior year.

## 5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the Group entered into the following transactions with related parties:

| | 2017 | 2016 |
|---|---|---|
| | S$ | S$ |
| Entity controlled by the shareholders of the Company: | | |
| Purchase of services from related party | – | 370,207 |

***Compensation of directors and key management personnel***

The remuneration of directors and key management personnel during the year was as follows:

| | 2017 | 2016 |
|---|---|---|
| | S$ | S$ |
| Short-term benefits | **1,462,907** | 1,593,816 |
| Central Provident Funds | **60,933** | 87,239 |
| | **1,523,840** | 1,681,055 |

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 6 CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | S$ | S$ | S$ | S$ |
| Cash at bank | **10,218,347** | 5,095,929 | **1,058,889** | 1,149,849 |
| Cash on hand | **12,970** | 16,000 | **–** | – |
| Fixed deposits | **3,233,643** | 4,029,849 | **–** | 1,002,435 |
| Total | **13,464,960** | 9,141,778 | **1,058,889** | 2,152,284 |
| Less: Fixed deposits pledged | **(3,233,643)** | (3,027,414) | **–** | – |
| Cash and cash equivalents per consolidated statement of cash flows | **10,231,317** | 6,114,364 | **1,058,889** | 2,152,284 |

Certain fixed deposits are pledged as collaterals in respect of trade loan facilities granted by the banks. The fixed deposits earned interest at 0.35% to 0.78% (2016: 0.15% to 1.50%) per annum and have tenures ranging from 6 to 12 months (2016: 1 to 12 months).

## 7 TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | S$ | S$ |
| Trade receivables – Outside parties | **4,300,192** | 7,321,735 |
| Retention receivables – Outside parties | **375,129** | 470,389 |
| Net | **4,675,321** | 7,792,124 |

The average credit period is 30 days (2016: 30 days). No interest is charged on the outstanding trade receivables. Retention receivables are classified as current as they are expected to be received within the Group's normal operating cycle.

The table below is an analysis of trade receivables as at September 30:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | S$ | S$ |
| Not past due and not impaired | **4,431,150** | 4,840,662 |
| Past due but not impaired[(i)] | **244,171** | 2,951,462 |
| | **4,675,321** | 7,792,124 |

Included in the Group's trade receivables balance are debtors with a carrying amount of S$244,171 (2016: S$2,951,462) which are past due at the end of the reporting period and for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 7 TRADE RECEIVABLES (CONTINUED)

(i) Aging of receivables that are past due but not impaired:

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Less than 30 days overdue | **165,260** | 1,532,642 |
| 31 to 60 days overdue | **78,911** | 1,418,820 |
| | **244,171** | 2,951,462 |

These receivables, which are past due and not impaired, are not secured by any collaterals or credit enhancements.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

## 8 AMOUNTS DUE FROM (TO) CONTRACT CUSTOMERS

| | Group | |
|---|---|---|
| | 2017 S$ | 2016 S$ |
| Contracts in progress at end of the reporting period: | | |
| Amounts due from contract customers | **1,177,236** | 4,325,256 |
| Amounts due to contract customers | **(2,216,996)** | (1,039,390) |
| | **(1,039,760)** | 3,285,866 |
| Contract costs incurred plus recognised profits | **42,026,092** | 47,463,567 |
| Less: Progress billings | **(43,065,852)** | (44,177,701) |
| | **(1,039,760)** | 3,285,866 |

Included in contract costs incurred plus recognised profits is a provision for foreseeable losses amounting to S$814,910 (2016: S$Nil) and have been recognised within the 'cost of sales' line item in the consolidated statement of profit or loss and other comprehensive income.

## 9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 S$ | 2016 S$ | 2017 S$ | 2016 S$ |
| Deposits | **76,195** | 37,677 | **–** | – |
| Prepayments | **61,372** | 53,378 | **16,244** | 37,078 |
| Amount due from a subsidiary | **–** | – | **620,570** | 3,193,472 |
| Other receivables | **10,223** | 11,576 | **1,946** | 2,058 |
| | **147,790** | 102,631 | **638,760** | 3,232,608 |

Amount due from a subsidiary is interest-free, unsecured and repayable on demand.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 10 LOAN TO A SUBSIDIARY

| | Company 2017 S$ | Company 2016 S$ |
|---|---|---|
| Loans receivable from a subsidiary | **300,000** | 1,800,000 |

The loan to a subsidiary is interest-free, unsecured and repayable on demand.

## 11 PROPERTY, PLANT AND EQUIPMENT

| Group | Renovation S$ | Furniture and fittings and office equipment S$ | Computer equipment S$ | Motor vehicle S$ | Factory machinery S$ | Leasehold property S$ | Total S$ |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| At October 1, 2015 | 29,605 | 261,275 | 639,303 | 211,723 | 71,800 | – | 1,213,706 |
| Additions | – | 49,355 | 182,244 | 68,572 | – | – | 300,171 |
| Disposals | – | (3,517) | (346,169) | – | – | – | (349,686) |
| At September 30, 2016 | 29,605 | 307,113 | 475,378 | 280,295 | 71,800 | – | 1,164,191 |
| Acquired on acquisition of a subsidiary (Note 28) | 650 | 18,798 | 8,514 | 741,292 | – | 1,000,000 | 1,769,254 |
| Additions | – | 162,469 | 52,145 | 49,000 | 2,800 | – | 266,414 |
| Disposals | – | (1,363) | – | (32,888) | – | – | (34,251) |
| At September 30, 2017 | **30,255** | **487,017** | **536,037** | **1,037,699** | **74,600** | **1,000,000** | **3,165,608** |
| Accumulated depreciation: | | | | | | | |
| At October 1, 2015 | 29,605 | 243,106 | 554,954 | 164,295 | 71,800 | – | 1,063,760 |
| Depreciation for the year | – | 16,506 | 79,086 | 23,501 | – | – | 119,093 |
| Disposals | – | (2,976) | (339,741) | – | – | – | (342,717) |
| At September 30, 2016 | 29,605 | 256,636 | 294,299 | 187,796 | 71,800 | – | 840,136 |
| Depreciation for the year | 195 | 49,495 | 100,641 | 189,680 | 467 | 14,286 | 354,764 |
| Disposals | – | (1,098) | – | (32,888) | – | – | (33,986) |
| At September 30, 2017 | **29,800** | **305,033** | **394,940** | **344,588** | **72,267** | **14,286** | **1,160,914** |
| Carrying amount: | | | | | | | |
| At September 30, 2016 | – | 50,477 | 181,079 | 92,499 | – | – | 324,055 |
| At September 30, 2017 | **455** | **181,984** | **141,097** | **693,111** | **2,333** | **985,714** | **2,004,694** |

In 2017, the carrying amount of the Group's motor vehicles included an amount of S$506,364 (2016: S$Nil) secured in respect of asset held under finance leases (Note 17).

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 12 INVESTMENT PROPERTY

| | Group 2017 S$ |
|---|---|
| At cost: | |
| Acquisition through business combination (Note 28) and at September 30, 2017 | **1,750,000** |
| Accumulated depreciation: | |
| Depreciation for the year and at September 30, 2017 | **1,513** |
| Carrying amount at September 30, 2017 | **1,748,487** |

***Fair value measurement of the Group's investment property***

The fair values of the Group's investment property at September 30, 2017 amounted to $1,750,000 and have been determined on the basis of valuations carried out by independent qualified professional valuers having an appropriate recognised professional qualification and recent experience in the valuation of similar properties in similar locations, and not related to the company.

The valuation of the investment property is determined by market comparison and the fair value of the investment property is categorised as Level 3 of the fair value hierarchy. The significant unobservable input used in the valuation model is the recent sales transaction prices for similar properties, adjusted for size, location, time and other relevant factors. Any significant isolated increase (decrease) in market rate per square foot would result in significantly higher (lower) fair value measurement.

The investment property is mortgaged to the bank to secure a bank loan (Note 18) taken up by the Group.

The Group's investment property is not leased out during the year and there is no rental income derived from the investment property. There is no direct operating expenses (including repairs and maintenance) arising from the investment property.

## 13 GOODWILL

| | Group 2017 S$ |
|---|---|
| Cost and carrying amount: | |
| Arising on acquisition of a subsidiary (Note 28) and at September 30, 2017 | **277,518** |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to maintenance services of the Group.

# NOTES **TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2017

## 13 **GOODWILL** (CONTINUED)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and returns on earnings before interest, tax, depreciation and amortisation ("EBITDA") during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Returns on EBITDA is based on past results and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 5%. The rate used to discount the forecasted cash flows is 12.77%.

No impairment loss has been recognised for the Group based on the above basis.

As at December 31, 2017, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

## 14 **INVESTMENT IN SUBSIDIARIES**

| | Company | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Unquoted equity shares, at cost | **10,792,825** | 6,218,040 |

Details of the Group's subsidiaries at 30 September 2017 are as follows:

| Name of subsidiary | Country of incorporation and operation | Effective equity interest of the Group | | Principal activity |
|---|---|---|---|---|
| | | **2017** | **2016** | |
| | | **%** | **%** | |
| Acromec Engineers Pte. Ltd.[1] | Singapore | **100** | 100 | Specialist engineering services in the field of controlled environments |
| Golden Harvest Engineering Pte. Ltd.[1][2] (Note 28) | Singapore | **60** | – | Maintenance and installation services for air-conditioning and mechanical ventilation systems |

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) During the year, Golden Harvest Engineering Pte. Ltd. was acquired (Note 28).

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary | Country of incorporation and operation | Effective equity interest of the Group | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| | | **%** | **%** | **S$** | **S$** | **S$** | **S$** |
| Golden Harvest Engineering Pte. Ltd. | Singapore | **60** | – | **35,155** | – | **770,054** | – |

Summarised financial information in respect of all of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | **Total** |
|---|---|
| | **S$** |
| Current assets | 1,419,686 |
| Non-current assets | 3,254,470 |
| Current liabilities | 607,536 |
| Non-current liabilities | 2,100,188 |
| Equity attributable to owners of the company | 1,196,379 |
| Non-controlling interests | 770,054 |
| Revenue | 2,523,271 |
| Profit for the year representing total comprehensive income for the year, net of tax | 87,886 |
| Net cash inflow from operating activities | 826,830 |
| Net cash outflow from investing activities | (993,964) |
| Net cash inflow from financing activities | 85,224 |
| Net cash inflow | (81,910) |

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 15 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | S$ | S$ | S$ | S$ |
| Current: | | | | |
| Trade payables | | | | |
| – Outside parties | **6,793,528** | 6,241,968 | **1,752** | 55,056 |
| – Related parties (Note 5) | **–** | – | **–** | 1,403,598 |
| Other payables | | | | |
| – Outside parties | **170** | 115,170 | **–** | 115,000 |
| – Subsidiary (Note 5) | **–** | – | **206,561** | – |
| – Related parties | **13,400** | – | **–** | – |
| Accruals | **752,275** | 575,056 | **79,106** | 35,000 |
| Accrued project costs | **1,257,342** | 2,215,190 | **–** | – |
| | **8,816,715** | 9,147,384 | **287,419** | 1,608,654 |
| Non-current: | | | | |
| Accruals | **120,383** | – | **120,383** | – |

The average credit period for trade payable is 60 days (2016: 60 days).

## 16 BILL PAYABLES

Bill payable and other credit facilities from banks are secured on the fixed deposits pledged (Note 6). The bill payables bear an interest rate of 3.37% (2016: 5.25%) per annum and is repayable within next 12 months.

## 17 FINANCE LEASES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| **Group** | 2017 | 2016 | 2017 | 2016 |
| | S$ | S$ | S$ | S$ |
| Within one year | **97,356** | – | **86,045** | – |
| In the second to fifth years inclusive | **246,624** | – | **217,813** | – |
| Less: Future finance charges | **(40,122)** | – | **–** | – |
| Present value of lease obligations | **303,858** | – | **303,858** | – |
| Less: Amount due for settlement within 12 months | | | **(86,045)** | – |
| Amount due for settlement after 12 months | | | **217,813** | – |

# NOTES **TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2017

## 17 **FINANCE LEASES** (CONTINUED)

It is the Group's policy to lease certain of its motor vehicles under finance leases. In 2017, the average lease term was 5 years and the average effective interest rate was 5.57%. Interest rates were fixed at the contract date, and thus exposed the Group to fair value interest rate risk. All leases were on fixed repayment basis and no arrangements had been entered into for contingent rental payments.

In 2017, the fair value of the Group's lease obligations approximated their carrying amount.

The Group's obligations under finance leases were secured by the lessors' title to the leased assets (Note 11).

## 18 **BANK LOANS**

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Secured – at amortised cost | | |
| – Bank loans | **1,950,044** | – |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(105,169)** | – |
| Amount due for settlement after 12 months | **1,844,875** | – |

In 2017, the Group has three principal bank loans:

(a) loan of S$1,627,695 which is secured on the Group's investment property (Note 12). The loan was raised on November 4, 2013. Repayments commenced on September 5, 2014 and will continue until September 5, 2034. The loan carries interest at the prevailing enterprise financing rate (EFR) which is currently at 5% per annum.

(b) loan of S$256,102 which is secured on the Group's leasehold property (Note 11). The loan was raised on February 3, 2016. Repayments commenced on July 1, 2016 and will continue until June 1, 2031. The loan carries interest at 2.75%, 2.45%, 1.50% and 0.50% per annum below the bank's Non-Residential Mortgage Board Rate (NMBR) for the 1st, 2nd, 3rd and following years respectively. The loan currently carries interest at 3.05% per annum.

(c) loan of S$277,519 which is secured on the Group's leasehold property (Note 11). The loan was raised on February 3, 2016. Repayments commenced on July 1, 2016 and will continue until June 1, 2031. The loan carries interest at 3.25%, 2.95%, 2.00% and 1.00% per annum below the bank's Non-Residential Mortgage Board Rate (NMBR) for the 1st, 2nd, 3rd and following years respectively. The loan currently carries interest at 2.55% per annum.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 19 SHARE CAPITAL

2016

| | Group and Company | |
|---|---|---|
| | Number of ordinary shares | S$ |
| Issued and paid up: | | |
| At the date of incorporation, December 22, 2015 | 3 | 3 |
| Issue of shares pursuant to the Restructuring Exercise[i] | 6,218,040 | 6,218,040 |
| | 6,218,043 | 6,218,043 |
| Sub-division of shares | 93,270,645 | 6,218,043 |
| Issue of shares | 27,000,000 | 5,534,700 |
| At September 30, 2016 | 120,270,645 | 11,752,743 |

2017

| | Group and Company | |
|---|---|---|
| | Number of ordinary shares | S$ |
| Issued and paid up: | | |
| At October 1, 2017 | **120,270,645** | **11,752,743** |
| Issue of share capital[ii] (Note 28) | **2,293,333** | **776,293** |
| At September 30, 2017 | **122,563,978** | **12,529,036** |

(i) This represented a non-cash transaction.

(ii) At the date of acquisition, the Company issued 2,293,333 new shares as part of the consideration in relation to the acquisition of 60% of the issued and paid up share capital of Golden Harvest Engineering Pte. Ltd. ("GHE").

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

## 20 MERGER RESERVE

Merger reserve represents the difference between the amount of the share capital of the subsidiary at the date on which they are acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition using the principles of merger accounting applicable to business combination under common control.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 21 REVENUE

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Revenue from projects | **38,831,610** | 41,576,673 |
| Revenue from other services rendered | **4,705,409** | 1,925,212 |
| | **43,537,019** | 43,501,885 |

## 22 OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Gain on disposal of plant and equipment | **12,010** | – |
| Bank interest | **4,591** | 629 |
| Fixed deposit interest | **22,888** | 33,353 |
| Grants received | **79,537** | 117,353 |
| Sundry income | **47,052** | 18,991 |
| | **166,078** | 170,326 |

## 23 FINANCE COSTS

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Interest expense on: | | |
| Finance leases | **12,209** | 80 |
| Bill payables | **23,197** | 6,746 |
| Bank loans | **28,402** | – |
| | **63,808** | 6,826 |

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 24 LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Depreciation of property, plant and equipment | **354,764** | 119,093 |
| Depreciation of investment property | **1,513** | – |
| Directors' remuneration | **1,199,614** | 1,072,265 |
| Directors' fees | **52,000** | 115,000 |
| Initial public offering fee[1] | **–** | 715,885 |
| Audit fee – paid to auditors of the company | **95,000** | 85,000 |
| Net foreign exchange loss | **44,952** | 3,160 |
| Cost of defined contribution plans | **485,228** | 363,364 |
| Employee benefits expenses (including costs of defined contribution plans) | **6,932,751** | 5,499,419 |

(1) In 2016, this included non-audit fee of S$133,775 paid to auditors of the Company in connection with the Company's initial public offering.

## 25 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Current tax | **23,001** | 30,000 |
| Deferred tax | **(9,871)** | – |
| | **13,130** | 30,000 |

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the year.

The total income tax for the year can be reconciled to the accounting profit before income tax as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Loss before income tax | **(4,536,889)** | (547,260) |
| Tax at Singapore statutory tax rate of 17% | **(771,271)** | (93,034) |
| Effect of tax concessions | **(25,259)** | (25,925) |
| Effect of expenses that are not deductible in determining taxable profit | **275,490** | 294,979 |
| Enhanced capital allowance arising from PIC scheme | **(3,320)** | (131,346) |
| Effect of unused tax losses and tax offsets not recognised as deferred tax assets | **580,473** | – |
| Income tax rebate | **(28,806)** | (19,514) |
| Others | **(14,177)** | 4,840 |
| Income tax expense | **13,130** | 30,000 |

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 26 LOSS PER SHARE

The calculation of the loss per share attributable to the ordinary owners of the Group is based on the following data.

Earnings figures are calculated as follows:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | S$ | S$ |
| Loss attributable to Owners of the Company | **(4,585,174)** | (577,260) |

| | 2017 | 2016 |
|---|---|---|
| | Number of shares ('000) | |
| Weighted average number of ordinary shares for purposes of earnings per share | **121,967** | 105,476 |
| Loss per share – Basic (cents) | **(3.76)** | (0.55) |

The basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation.

There are no dilutive potential ordinary shares for 2017 and 2016.

## 27 DIVIDENDS

On January 28, 2016, the subsidiary, Acromec Engineers Pte. Ltd., declared a final one-tier tax exempt dividend of S$1,800,000 in respect of the financial year ended September 30, 2015 to its then shareholders. The dividends were paid on January 29, 2016.

On June 2, 2016, the Company declared an interim one-tier tax exempt dividend of S$360,812 in respect of financial year ended September 30, 2016 to its shareholders. The dividends were paid on July 20, 2016.

There were no dividends declared in respect of the financial year ended September 30, 2017.

## 28 ACQUISITION OF A SUBSIDIARY

At the date of acquisition, the Group acquired 60% of the issued share capital of Golden Harvest Engineering Pte. Ltd. ("GHE") for a total purchase consideration of S$1,574,782. The transaction has been accounted for by the acquisition method of accounting.

GHE is an entity incorporated in Singapore with its principal activity of providing maintenance and installation services for air-conditioning and mechanical ventilation systems of buildings. The Group acquired GHE for various reasons, the primary reason being the addition of a complementary capability to the Group, allowing for potential opportunities to expand its customer base and service offerings.

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 28 ACQUISITION OF A SUBSIDIARY (CONTINUED)

**Consideration transferred (at acquisition date fair values)**

| Golden Harvest Engineering Pte. Ltd. | Total S$ |
|---|---|
| Cash | 640,000 |
| Issuance of 2,293,333 of the Company's shares[(i)] | 776,293 |
| Contingent consideration arrangement[(ii)] | 158,489 |
| Total | 1,574,782 |

[(i)] The Company shares have been issued at the date of acquisition and is based on a fair value of S$0.34 per ordinary shares. This represents a non-cash transaction.

[(ii)] The contingent consideration requires the Group to pay the vendors an additional S$180,000 in each of the years 2017 and 2018 if GHE's profit after tax in each of the years is not less than $300,000. If GHE's profit after tax in each of the years 2017 and 2018 is less than S$300,000 and more than zero, an amount equivalent to 60% of the shortfall in profit after tax is deducted from the consideration of S$180,000 for that year. No consideration is payable for that year if a loss is incurred by GHE in the years 2017 and/or 2018.

Based on GHE's profit after tax for the past 3 years, it has been S$422,983 on average and the management considers it probable that the payment will be required. For years 2017 and 2018, S$38,106 and S$120,383 represent the estimated fair value of the obligation discounted at 5.25% per annum. As at the end of the reporting period, management has assessed that the fair value of contingent consideration approximates S$158,489.

Acquisition-related costs amounting to S$49,188 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'other operating expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

# NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

## 28 ACQUISITION OF A SUBSIDIARY (CONTINUED)

**Assets acquired and liabilities assumed at the date of acquisition**

| Golden Harvest Engineering Pte. Ltd. | **Total** **S$** |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 952,460 |
| Trade and other receivables | 513,542 |
| Deposits and prepayments | 34,355 |
| | |
| **Non-current assets** | |
| Property, plant and equipment | 1,769,254 |
| Investment property | 1,750,000 |
| | |
| **Current liabilities** | |
| Trade and other payables | (275,317) |
| Bank loans | (37,040) |
| Finance leases | (71,954) |
| Provision for taxation | (66,167) |
| | |
| **Non-current liabilities** | |
| Bank loans | (2,205,697) |
| Finance leases | (262,309) |
| Deferred tax liabilities | (68,964) |
| Net assets acquired and liabilities assumed | 2,032,163 |

**Non-controlling interest**

The non-controlling interest (40%) in GHE recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to S$734,899. The fair value was estimated by applying an income approach, based on the market price, referenced from the recent purchase price, and discounted for a lack of control.

**Goodwill arising on acquisition**

| | **Total** **S$** |
|---|---|
| Consideration transferred | 1,574,782 |
| Plus: Non-controlling interest | 734,899 |
| Less: Fair value of identifiable net assets acquired | (2,032,163) |
| Goodwill arising on acquisition | 277,518 |

**28 ACQUISITION OF A SUBSIDIARY** (CONTINUED)

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of GHE. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising this acquisition is expected to be deductible for tax purposes.

**Net cash inflow on acquisition of a subsidiary**

| | **Total** |
|---|---|
| | **S$** |
| Consideration paid in cash | 640,000 |
| Less: Cash and cash equivalent balances acquired | (952,460) |
| | (312,460) |

**Impact of acquisition on the results of the Group**

Included in the loss for the year is a profit of S$87,886 attributable to the business generated by GHE from the date of acquisition. Revenue for the period from GHE amounted to S$2,523,571.

Had the business combination during the year been effected at October 1, 2016, the revenue of the Group would have been S$44,200,367, and the loss would have been S$4,586,213.

**29 OPERATING LEASE ARRANGEMENTS**

| | **Group** | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Minimum lease payments under operating leases recognised as expense in the year | **420,762** | 374,936 |

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases which fall due after the financial year end as follows:

| | **Group** | |
|---|---|---|
| | **2017** | **2016** |
| | **S$** | **S$** |
| Within one year | **403,993** | 363,170 |
| In the second to fifth years inclusive | **631,444** | 42,624 |
| | **1,035,437** | 405,794 |

Operating lease payments represent rental payable by the company for its office, warehouse premises, motor vehicles and dormitories. The lease arrangements are negotiated for an average term of 1 to 3 years (2016: 1 to 3 years).

# NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

## 30 SEGMENT INFORMATION

For the purpose of resource allocation and assessment of segment performance, the Group's other operating decision makers have focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the segments of the Group's under FRS 108 *Operating Segments*.

Operating segments are aggregated into a single reportable operating segment if they have similar economic characteristic, such as long-term average gross margins, and are similar in respect of nature of services and process, type of customers, method of distribution, and if applicable, the nature of the regulatory environment.

For management purposes, the Group is currently organised into two main operating segments:

(1) Engineering, Procurement and Construction segment; and

(2) Maintenance segment.

The Engineering, Procurement and Construction segment provides engineering, procurement and construction services, specialising in architectural, mechanical, electrical and process works within controlled environment.

The Maintenance segment provides maintenance services for controlled environments and supporting infrastructure.

Segment revenues and results

| | Engineering, Procurement & Construction S$ | Maintenance S$ | Total S$ |
|---|---|---|---|
| September 30, 2017 | | | |
| Revenue | **38,831,610** | **4,705,409** | **43,537,019** |
| Cost of sales | **(39,096,340)** | **(3,267,584)** | **(42,363,924)** |
| Gross (loss) profit | **(264,730)** | **1,437,825** | **1,173,095** |
| Segment result | **(2,969,541)** | **(359,833)** | **(4,144,284)** |
| Depreciation expense | | | **(356,277)** |
| Interest income | | | **27,480** |
| Finance costs | | | **(63,808)** |
| Loss before income tax | | | **(4,536,889)** |
| Income tax expense | | | **(13,130)** |
| Loss for the year | | | **(4,550,019)** |

# NOTES **TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2017

## 30 **SEGMENT INFORMATION** (CONTINUED)

| | Engineering, Procurement & Construction S$ | Maintenance S$ | Total S$ |
|---|---|---|---|
| September 30, 2016 | | | |
| Revenue | 41,576,673 | 1,925,212 | 43,501,885 |
| Cost of sales | (36,964,281) | (1,410,969) | (38,375,250) |
| Gross profit | 4,612,392 | 514,243 | 5,126,635 |
| Segment result | (435,172) | (20,151) | (455,323) |
| Depreciation expense | | | (119,093) |
| Interest income | | | 33,982 |
| Finance costs | | | (6,826) |
| Loss before income tax | | | (547,260) |
| Income tax expense | | | (30,000) |
| Loss for the period | | | (577,260) |

In addition to the depreciation reported above, provision for foreseeable losses of S$814,910 were recognised. The provision for foreseeable losses was attributable to Engineering, Procurement and Construction reportable segment.

Segment assets

There is no segment assets disclosed as the assets are jointly used by the reportable segments and it is not a Group's practice to report segment assets to the chief operating decision maker.

Geographical segments

The Group's activities are located in Singapore. The geographical locations of the Group's customers and non-current assets are in Singapore.

Major customer information

The Group's revenue derived from customers who individually account for 10% or more of the Group's revenue is detailed below:

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Engineering, Procurement and Construction | | |
| Top 1st customer | **8,131,304** | 14,828,091 |
| Top 2nd customer | **8,105,557** | 6,426,895 |
| Top 3rd customer | **4,461,011** | NA |

# SHAREHOLDING **STATISTICS**

AS AT 12 DECEMBER 2017

| | | |
|---|---|---|
| Issued and paid-up capital | : | $13,018,043 |
| Number of shares | : | 122,563,978 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | One vote per share |

The Company does not hold any treasury shares and subsidiary holdings.

### DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

As at 12 December 2017

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES | % OF SHAREHOLDINGS |
|---|---|---|---|---|
| 1 – 99 | 0 | 0.00 | 0 | 0.00 |
| 100 – 1,000 | 54 | 6.89 | 38,700 | 0.03 |
| 1,001 – 10,000 | 332 | 42.35 | 2,095,200 | 1.71 |
| 10,001 – 1,000,000 | 388 | 49.49 | 18,972,067 | 15.48 |
| 1,000,001 and above | 10 | 1.27 | 101,458,011 | 82.78 |
| **Grand Total** | **784** | **100.00** | **122,563,978** | **100.00** |

### SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as at 12 December 2017

| | DIRECT INTEREST | | DEEMED INTEREST | |
|---|---|---|---|---|
| NAME OF SHAREHOLDERS | NO. OF SHARES | %[2] | NO. OF SHARES | %[2] |
| Lim Say Chin[1] | 6,000,000 | 4.90 | 66,130,645 | 53.96 |
| Chew Chee Keong[1] | 6,000,000 | 4.90 | 66,130,645 | 53.96 |
| Goi Chew Leng[1] | 6,000,000 | 4.90 | 66,130,645 | 53.96 |
| Ingenieur Holdings Pte. Ltd. | 66,130,645 | 53.96 | – | – |

**Notes:**

(1) Lim Say Chin, Chew Chee Keong and Goi Chew Leng are deemed to have an interest in 66,130,645 shares held by Ingenieur Holdings Pte. Ltd. by virtue of Section 4 of the Securities and Futures Act (Chapter 289).

(2) The percentages of issued share capital are calculated based on 122,563,978 issued shares in the capital of the Company as at 12 December 2017.

# SHAREHOLDING **STATISTICS**

AS AT 12 DECEMBER 2017

## TWENTY LARGEST SHAREHOLDERS

As at 12 December 2017

| | NAME OF SHAREHOLDER | NO. OF SHARES | % OF SHAREHOLDINGS |
|---|---|---|---|
| 1 | INGENIEUR HOLDINGS PTE. LTD. | 66,130,645 | 53.96 |
| 2 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 9,882,700 | 8.06 |
| 3 | CHEW CHEE KEONG | 6,000,000 | 4.90 |
| 4 | GOI CHEW LENG | 6,000,000 | 4.90 |
| 5 | LIM SAY CHIN | 6,000,000 | 4.90 |
| 6 | PHILLIP SECURITIES PTE LTD | 2,342,200 | 1.91 |
| 7 | LIANG KUM KEONG | 1,470,266 | 1.20 |
| 8 | WONG CHOO WAI (HUANG ZUWEI) | 1,370,000 | 1.12 |
| 9 | OCBC SECURITIES PRIVATE LIMITED | 1,153,100 | 0.94 |
| 10 | CHOAH LEONG YEW | 1,109,100 | 0.90 |
| 11 | QUEK GHEE LEONG | 802,667 | 0.65 |
| 12 | LIM HONG MENG | 600,000 | 0.49 |
| 13 | DBS NOMINEES (PRIVATE) LIMITED | 435,400 | 0.36 |
| 14 | LEE CHIEW ENG | 400,000 | 0.33 |
| 15 | RAFFLES NOMINEES (PTE) LIMITED | 369,600 | 0.30 |
| 16 | LEONG BENG KONG | 280,900 | 0.23 |
| 17 | KHOO TENG HAI | 250,000 | 0.20 |
| 18 | WONG CHEN LOONG | 236,000 | 0.19 |
| 19 | CHAN SIEW MOON ANN | 235,800 | 0.19 |
| 20 | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 219,600 | 0.18 |
| | **TOTAL** | **105,287,978** | **85.91** |

## FREE FLOAT

Based on the information provided to the Company as at 12 December 2017, approximately 31.15% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST has been complied with.

# NOTICE OF **ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of ACROMEC LIMITED (the "**Company**") will be held at National Service Resort & Country Club, 10 Changi Coast Walk, Singapore 499739 on Thursday, 25 January 2018 at 2.00 p.m. for the following purposes:–

**AS ORDINARY BUSINESS**

**Resolution 1**

1. To receive and adopt the audited financial statements for the financial year ended 30 September 2017, together with the Directors' Statement and Independent Auditors' Report.

**Resolution 2**

2. To re-elect Mr Lim Say Chin who is retiring by rotation pursuant to Article 108 of the Company's Constitution (the "**Constitution**") and who, being eligible, offers himself for re-election as a Director of the Company.

**Resolution 3**

3. To re-elect Mr Yee Kit Hong who is retiring by rotation pursuant to Article 108 of the Constitution and who, being eligible, offers himself for re-election as a Director of the Company.

   *Mr Yee Kit Hong will, upon re-election as a Director of the Company, remain as the chairman of the Audit Committee and the Board considers him to be independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**").*

**Resolution 4**

4. To approve the payment of Directors' fees of S$119,000 for the financial year ended 30 September 2017.

**Resolution 5**

5. To re-appoint Deloitte & Touche LLP as the Company's Independent Auditors and to authorise the Directors of the Company to fix their remuneration.

6. To transact any other ordinary business that may be properly transacted at an annual general meeting.

**AS SPECIAL BUSINESS**

**Resolution 6**

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:–

   "Authority to allot and issue shares

   That pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**"), authority be and is hereby given to the Directors of the Company to:–

   (A) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

# NOTICE OF **ANNUAL GENERAL MEETING**

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding that this authority may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

provided that:–

(1) the aggregate number of Shares to be issued pursuant to this authority (including Shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed one hundred percent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below) ("**Issued Shares**"), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed fifty percent (50%) of the total number of Issued Shares;

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this authority is given, after adjusting for:–

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this authority is given, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

[see Explanatory Note (i)]

# NOTICE OF **ANNUAL GENERAL MEETING**

**Resolution 7**

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:–

"<u>Authority to allot and issue shares pursuant to the Acromec Performance Share Scheme</u>

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Acromec Performance Share Scheme (the "**Share Scheme**") and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the vesting of the awards under the Share Scheme, provided that the aggregate number of new Shares which may be issued pursuant to the vesting of awards under the Share Scheme, when added to the number of new Shares issued and issuable in respect of all awards granted under the Share Scheme and any other share-based incentive scheme of the Company for the time being in force, shall not exceed fifteen percent (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) preceding that date of grant of award and such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting of the Company is required by law to be held, whichever is earlier."

[see Explanatory Note (ii)]

BY ORDER OF THE BOARD

WEE MAE ANN
Company Secretary
Singapore
10 January 2018

**Explanatory Notes:**

(i) Under the Catalist Rules, a share issue mandate approved by shareholders as an ordinary resolution will enable directors of an issuer to issue an aggregate number of new shares and convertible securities of the issuer of up to 100% of the issued share capital of the issuer (excluding treasury shares and subsidiary holdings) as at the time of passing of the resolution approving the share issue mandate, of which the aggregate number of new shares and convertibles securities issued other than on a pro-rata basis to existing shareholders must be not more than 50% of the issued share capital of the issuer (excluding treasury shares and subsidiary holdings).

Ordinary Resolution 6, if passed, will empower the Directors from the date of the above AGM until the date of the next annual general meeting, to allot and issue Shares and/or Instruments. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted) which the Directors may allot and issue under this Resolution, shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). For issues of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any convertible securities issued under this authority.

(ii) Ordinary Resolution 7, if passed, will empower the Directors to grant awards under the Share Scheme and to allot and issue Shares pursuant to the vesting of the awards under the Share Scheme, provided that the aggregate number of new Shares which may be issued under the Share Scheme, when added to the number of Shares issued and issuable in respect of all awards granted under the Share Scheme and any other share-based incentive scheme of the Company for the time being in force, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) preceding that date of grant of award.

# NOTICE OF **ANNUAL GENERAL MEETING**

**Notes:**

(1) Unless otherwise permitted under the Companies Act, Chapter 50 (the "**Companies Act**"), a member of the Company entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

(3) A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

(4) If the member is a corporation, the instrument appointing the proxy must be executed under its common seal or signed by its duly authorised officer or attorney.

(5) The duly executed instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 4 Kaki Bukit Avenue 1, #04-04 Kaki Bukit Industrial Estate, Singapore 417939 not less than 72 hours before the time appointed for holding the AGM.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**Sponsor's Statement:**

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

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

The contact person for the Sponsor is Mr Ong Hwee Li (Telephone no.: +65 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

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# ACROMEC LIMITED

(Company Registration No. 201544003M)
(Incorporated in the Republic of Singapore)

## ANNUAL GENERAL MEETING
## PROXY FORM

I/We ________________________ (Name) ________________ (NRIC/Passport/Registration Number)

of ______________________________________________________ (Address)

being a member/members of ACROMEC LIMITED (the "**Company**") hereby appoint:–

| **Name** | **NRIC/Passport Number** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

and/or (delete as appropriate)

| **Name** | **NRIC/Passport Number** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

or failing the person or both of the persons above, the Chairman of the Annual General Meeting ("**AGM**"), as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the AGM of the Company to be held at National Service Resort & Country Club, 10 Changi Coast Walk, Singapore 499739 on Thursday, 25 January 2018 at 2.00 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

| **No.** | **Resolutions relating to:–** | **For** | **Against** |
|---|---|---|---|
| | **Ordinary Business** | | |
| 1. | Audited financial statements for financial year ended 30 September 2017 | | |
| 2. | Re-election of Mr Lim Say Chin as a Director | | |
| 3. | Re-election of Mr Yee Kit Hong as a Director | | |
| 4. | Approval of Directors' fees of S$119,000 for financial year ended 30 September 2017 | | |
| 5. | Re-appointment of Deloitte & Touche LLP as auditors of the Company | | |
| | **Special Business** | | |
| 6. | General authority to allot and issue shares | | |
| 7. | Authority to allot and issue shares pursuant to the Acromec Performance Share Scheme | | |

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the resolution as set out in the Notice of AGM. Alternatively, if you wish to exercise your votes both for and against the resolution, please indicate the number of shares in the respective spaces provided.)

Dated this __________ day of ____________________ 2018

| **Total number of Shares in:** | **No. of Shares** |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________

Signature(s) of Member(s) or Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:–**

1. Unless otherwise permitted under the Companies Act, Chapter 50 (the "**Companies Act**"), a member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form.

3. A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

5. This proxy form duly executed must be deposited at the registered office of the Company at 4 Kaki Bukit Avenue 1, #04-04 Kaki Bukit Industrial Estate, Singapore 417939 not less than 72 hours before the time set for the AGM.

6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

8. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

9. By submitting this proxy form, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 10 January 2018.

ACROMEC LIMITED
4 KAKI BUKIT AVENUE 1
#04-04 KAKI BUKIT INDUSTRIAL ESTATE
SINGAPORE 417939
WWW.ACROMEC.COM