

ACROMEK LIMITED

(Company registration number: 201544003M)



UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 MARCH 2019

This announcement has been prepared by ACROMEK Limited (“ACROMEK” or the “Company”) and its contents have been reviewed by the Company’s Sponsor, SAC Capital Private Limited 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 announcement.

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

The contact person for the Sponsor is Ms Alicia Sun (Telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

Background

ACROMEK Limited (together with its subsidiaries, the “Group”) was listed on Catalist of the SGX-ST on 18 April 2016, pursuant to an initial public offering (the “IPO”) exercise. The Group is primarily a Singapore-based specialist engineering services provider in the field of controlled environments. It currently serves mainly the healthcare, pharmaceutical, biomedical science, research and academia, and electronics sectors.

The Group’s business is divided into two main business segments:

- (1) Engineering, Procurement and Construction (“EPC”) segment; and
- (2) Maintenance segment.

The EPC segment provides engineering, procurement and construction services, specialising in architectural, mechanical, electrical and process works within controlled environment. The Maintenance segment provides maintenance and repair services for facilities and equipment of controlled environments and their supporting infrastructure.

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ACROMECH**PART I: INFORMATION REQUIRED FOR HALF-YEAR ANNOUNCEMENT**

1(a)(i) A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/ (Decrease) %
	Half-year ended 31 Mar		
	2019 S\$'000	2018 S\$'000	
Revenue	12,239	22,238	(45)
Cost of sales	(9,442)	(19,317)	(51)
Gross profit	<u>2,797</u>	<u>2,921</u>	<u>(4)</u>
Other operating income	79	100	(21)
	<u>2,876</u>	<u>3,021</u>	<u>(5)</u>
Administrative expenses	(2,363)	(2,524)	(6)
Other operating expenses	(416)	(370)	12
Finance costs	(85)	(66)	29
Profit before income tax	12	61	(80)
Income tax credit	6	-	N.M.
Profit for the period, representing total comprehensive income for the period	<u>18</u>	<u>61</u>	<u>(70)</u>
Profit/(Loss) attributable to:			
Owners of the Company	7	64	(89)
Non-controlling interests	<u>11</u>	<u>(3)</u>	<u>N.M.</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company	7	64	(89)
Non-controlling interests	<u>11</u>	<u>(3)</u>	<u>N.M.</u>

N.M.: not meaningful

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**1(a)(ii) Notes to the statement of comprehensive income**

	Group		
	Half-year ended 31 Mar		Increase/ (Decrease)
	2019 S\$'000	2018 S\$'000	%
Profit for the financial period is arrived at after (charging)/crediting the following:			
Depreciation of property, plant and equipment	(301)	(249)	21
Interest income	17	16	6
Foreign exchange gain (Net)	<u>5</u>	<u>5</u>	-

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ACROMEK**1(b)(i) A statement of financial position (for the issuer and the group), together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	31 Mar 2019 S\$'000	30 Sep 2018 S\$'000	31 Mar 2019 S\$'000	30 Sep 2018 S\$'000
ASSETS				
Non-current assets				
Investment in subsidiaries	-	-	12,078	11,078
Goodwill	278	278	-	-
Investment property	1,695	1,710	-	-
Property, plant and equipment	1,779	2,060	-	-
Total non-current assets	3,752	4,048	12,078	11,078
Current assets				
Trade receivables	6,983	5,609	-	-
Other receivables, deposits and prepayments	624	312	58	38
Amounts due from contract customers	1,281	2,732	-	-
Amount due from subsidiary	-	-	245	406
Loan to subsidiary	-	-	3,365	4,465
Cash and bank balances ⁽¹⁾	6,568	8,982	66	62
Total current assets	15,456	17,635	3,734	4,971
Total assets	19,208	21,683	15,812	16,049
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	5,197	7,568	150	283
Bill payables	1,108	1,206	-	-
Amounts due to contract customers	2,271	2,188	-	-
Amount due to subsidiary	-	-	-	-
Tax payable	65	67	30	30
Bank loans	415	415	-	-
Finance leases	86	86	-	-
Total current liabilities	9,142	11,530	180	313
Net current assets	6,314	6,105	3,554	4,658
Non-current liabilities				
Bank loans	1,888	1,944	-	-
Finance leases	89	132	-	-
Deferred tax liabilities	46	52	-	-
Total non-current liabilities	2,023	2,128	-	-
Net assets	8,043	8,025	15,632	15,736

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	Group		Company	
	31 Mar 2019	30 Sep 2018	31 Mar 2019	30 Sep 2018
	S\$'000	S\$'000	S\$'000	S\$'000
Equity attributable to the owners of the Company				
Share capital	16,225	16,225	16,225	16,225
Merger reserve	(4,718)	(4,718)	-	-
Accumulated losses	(4,223)	(4,230)	(593)	(489)
Shareholders' equity	7,284	7,277	15,632	15,736
Non-controlling interests	759	748	-	-
Total equity	8,043	8,025	15,632	15,736
Total liabilities and equity	19,208	21,683	15,812	16,049

Note:

- (1) The amount stated includes fixed deposits pledged as collaterals for banking facilities. 31 March 2019: S\$3,247,000 (30 September 2018: S\$3,241,000)

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1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

	31 Mar 2019		30 Sep 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	1,609	-	1,707	-
Amount repayable after one year	1,977	-	2,076	-
Total borrowings	<u>3,586</u>	<u>-</u>	<u>3,783</u>	<u>-</u>

Details of collaterals

- i. Bill payables of S\$1,108,000 (30 September 2018: S\$1,206,000) was secured by fixed deposits pledged with banks.
- ii. Bank loans of S\$2,003,000 (30 September 2018: S\$2,059,000) is secured on the Group's properties and S\$300,000 (30 September 2018: S\$300,000) is secured on fixed deposits.
- iii. Finance leases of S\$175,000 (30 September 2018: S\$218,000) is secured on the Group's motor vehicles.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	Half-year ended 31 Mar	
	2019	2018
	S\$'000	S\$'000
Operating activities		
Profit before income tax	12	61
Adjustments for:		
Depreciation	301	249
Interest income	(17)	(16)
Interest expense	85	66
Operating cash flows before movements in working capital	<u>381</u>	<u>360</u>
Trade receivables	(1,910)	(568)
Other receivables, deposits and prepayments	(312)	(359)
Amounts due from (to) contract customers – net	1,535	(1,393)
Trade and other payables	(1,835)	(1,856)
Bill payables	(98)	(2,173)
Cash used in operations	<u>(2,239)</u>	<u>(5,989)</u>
Interest received	17	17
Income taxes paid	(2)	(10)
Net cash used in operating activities	<u>(2,224)</u>	<u>(5,982)</u>
Investing activities		
Purchase of property, plant and equipment	(5)	(562)
Net cash from acquisition of subsidiary	-	-
Net cash used in investing activities	<u>(5)</u>	<u>(562)</u>
Financing activities		
Proceeds from issuance of new shares	-	3,696
Increase in pledged deposits	(6)	(6)
(Repayment of)/Proceeds from borrowings	(57)	167
Repayment of finance leases	(43)	(43)
Interest paid	(85)	(66)
Net cash (used in)/from financing activities	<u>(191)</u>	<u>3,748</u>
Net decrease in cash and cash equivalents	<u>(2,420)</u>	<u>(2,796)</u>
Cash and cash equivalents at beginning of financial period	<u>5,741</u>	<u>10,231</u>
Cash and cash equivalents at end of financial period ⁽¹⁾	<u><u>3,321</u></u>	<u><u>7,435</u></u>

Note:

- (1) The amount stated includes fixed deposits pledged as collaterals for banking facilities. 31 March 2019: S\$3,247,000 (30 September 2018: S\$3,241,000)

ACROMECH LIMITED

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ACROMECH**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year****Group**

	Attributable to Owners of the Company					
	Share capital	Merger reserve	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 October 2018	16,225	(4,718)	(4,230)	7,277	748	8,025
Profit for the financial period, representing total comprehensive income	-	-	7	7	11	18
Balance as at 31 March 2019	16,225	(4,718)	(4,223)	7,284	759	8,043
Balance as at 1 October 2017	12,529	(4,718)	(805)	7,006	770	7,776
Profit for the financial period, representing total comprehensive income	-	-	64	64	(3)	61
Issuance of new shares pursuant to placement exercise	3,696	-	-	3,696	-	3,696
Balance as at 31 March 2018	16,225	(4,718)	(741)	10,766	767	11,533

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ACROMEK**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (continued)****Company**

	Share capital	Accumulated Losses	Total
	S\$'000	S\$'000	S\$'000
Balance as at 1 October 2018	16,225	(489)	15,736
Total comprehensive loss for the period	-	(104)	(104)
	<hr/>		
Balance as at 31 March 2019	16,225	(593)	15,632
	<hr/>		
Balance as at 1 October 2017	12,529	(176)	12,353
Issuance of new shares pursuant to placement exercise	3,696	-	3,696
Total comprehensive loss for the period	-	(233)	(233)
	<hr/>		
Balance as at 31 March 2018	16,225	(409)	15,816
	<hr/>		

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

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	Company	
	Number of ordinary shares	Issued and paid-up share capital
Issued and paid-up share capital as at 31 March 2019	138,563,978	S\$16,225,000
Issued and paid-up share capital as at 30 September 2018	138,563,978	S\$16,225,000

There are no changes in the Company's share capital since the end of the previous period reported on. There were no outstanding convertibles, treasury shares and subsidiary holdings as at 31 March 2019 and 31 March 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares, excluding treasury shares, as at 31 March 2019 was 138,563,978 (30 September 2018: 138,563,978). There were no treasury shares held by the Company as at 31 March 2019 and 30 September 2018.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period ended 31 March 2019.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company does not have subsidiary holdings.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.



4. Whether the same accounting policies and methods of computation as in the Issuer’s most recently audited annual financial statements have been applied.

The Group had consistently applied the same accounting policies and methods of computation for the current financial period compared to the most recently audited annual financial statements.

5. If there are any changes in the accounting policies and methods of computation including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

	Group	
	Half-year ended 31 Mar	
	2019	2018
Profit attributable to owners of the Company (S\$’000)	<u>7</u>	<u>64</u>
Weighted average number of ordinary shares	<u>138,563,978</u>	<u>126,787,090</u>
Earnings per share (basic and diluted) (cents)	<u>0.01</u>	<u>0.05</u>

The basic and diluted earnings per share is the same as there were no potentially dilutive ordinary shares in issue, for the half year ended 31 March 2019 and 31 March 2018.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the Issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year

	Group		Company	
	31-Mar-2019	30-Sep-2018	31-Mar-2019	30-Sep-2018
Net Asset Value per share (cents)	5.26	5.25	11.28	11.36
Net Asset Value (S\$’000)	7,284	7,277	15,632	15,736
Number of ordinary shares used	<u>138,563,978</u>	<u>138,563,978</u>	<u>138,563,978</u>	<u>138,563,978</u>



8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF GROUP RESULTS

Revenue for the half-year ended 31 March 2019 ("HY2019") decreased by 45% or S\$10.00 million to S\$12.24 million as compared to half-year ended 31 March 2018 ("HY2018") of S\$22.24 million. This was consequentially due to a lower order book carried forward as at the end of the previous financial year.

Cost of sales decreased 51% or S\$9.88 million to S\$9.44 million in HY2019 from S\$19.32 million in HY2018, which is in line with the decrease in revenue. However, the more than proportionate decrease in cost of sales as compared to the decrease in revenue has cushioned the impact of the decrease in gross profit. Gross profit dipped marginally by 4% or S\$0.12 million to S\$2.80 million in HY2019 from S\$2.92 million in HY2018.

Accordingly, the Group's gross profit margin for HY2019 improved significantly to 23% from 13% in the same period last year. This is largely contributed by the recognition and finalisation of cost savings on project closures as the Group exercised greater cost control over its projects. Other operating income remained relatively stable in absolute terms.

The Group continues to keep a lid on its costs, amid a tight foreign labour market and keen competition. Administrative expenses were kept in check at S\$2.36 million for HY2019 with a 6% reduction as compared to S\$2.52 million in HY2018. Other operating expenses increased by S\$46,000 or 12% mainly due to increase in depreciation expenses as a result of renovation costs incurred on of the Group's new office premises after the expiry of its previous lease term. Finance costs by increased S\$19,000 or 29%, albeit immaterial in absolute terms.

Non-controlling interests mainly relate to its share of results from Golden Harvest Engineering Pte Ltd ("Golden Harvest"), the Group's 60% owned subsidiary.

As a result of the above, the Group reported a net profit attributable to owners of the Company of approximately S\$7,000 for HY2019, as compared to S\$64,000 in the same period last year.

REVIEW OF GROUP'S FINANCIAL POSITION

Non-current assets decreased by S\$0.30 million from S\$4.05 million as at 30 September 2018 to S\$3.75 million as at 31 March 2019. This was mainly due to depreciation of its property, plant and equipment and investment property.



Current assets as at 31 March 2019 decreased by 12% or S\$2.18 million to S\$15.46 million from S\$17.64 million as at 30 September 2018, mainly due to the decrease in cash and bank balances of S\$2.41 million and decrease in amounts due from contract customers of S\$1.45 million, partially offset by increase in trade receivables of S\$1.37 million. Increase in trade receivables and decrease in amounts due from contract customers is due to timing difference of billings for execution of its major projects. Cash and bank balances decrease was mainly due to settlement of trade and other payables.

Current liabilities as at 31 March 2019 decreased by 21% or S\$2.39 million to S\$9.14 million as compared to S\$11.53 million as at 30 September 2018, mainly due to decrease in trade and other payables. Trade and other payables decreased by S\$2.37 million due to faster settlement of supplier invoices.

The Group's bank borrowings of S\$2.30 million as at 31 March 2019 were mainly incurred by Golden Harvest to finance the purchase of its investment property and its leasehold property from which it operates. The finance leases of S\$175,000 were incurred to finance the purchase of Golden Harvest's motor vehicles.

The Group shareholders' equity stood at S\$7.28 million as at 31 March 2019.

REVIEW OF GROUP'S CASH FLOWS

Overall, the Group's cash and cash equivalents decreased S\$2.42 million in HY2019.

Cash used in operating activities amounted to S\$2.22 million, mainly due to increase in trade receivables, other receivables, deposits and prepayments, decrease in trade and other payables from the settlement of supplier invoices, partially offset by decrease in amount due from contract customers and bills payables. Cash used in investing activities was mainly due to purchase of property, plant and equipment. Cash used in financing activities of S\$0.19 million was mainly due to the payment of interest incurred on its borrowings and finance leases and the principal repayment of borrowings and finance leases.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement was previously made to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As at the date of this announcement, the Group's order book currently stands at approximately S\$20 million. Tender activities remain high as the Group continues to see

activities in the sectors that it serves. Against this backdrop, the Group continues to actively develop its business through direct negotiations and bidding for projects, underpinned by its healthy balance sheet and established track record.

The Group will continue to focus on its project management and control its cost. However, it is mindful that it may face continued pressures on its margins as competition is expected to remain keen. The Group will remain vigilant and continually take steps to streamline its processes so as to achieve cost and operational optimisation.

In the previous financial year, the Group has incorporated a 80% owned subsidiary, Acropower Pte Ltd, to spearhead its expansion and diversification strategy into the renewable energy sector that will provide sustainable revenue and income streams. As previously announced, the subsidiary is in talks with a potential customer to build, own and operate a waste-to-energy plant at their premise. The Group is optimistic that this will translate into definitive agreements in due course. Relevant announcements will be made as and when appropriate. Accordingly, the Group has stepped up its efforts this year to grow this business. A separate team has been dedicated, together with our green energy partner, Green Energy Resources (M) Sdn Bhd, to see this through.

The Group has expanded its geographical reach last year with the incorporation of a 67% owned subsidiary in Indonesia, P.T. Acromec Trading Indonesia. The subsidiary has commenced business this period. The Group believes that the penetration into new geographical markets, including, amongst others, Indonesia, will be beneficial for its long-term growth as such markets are poised for growth in the foreseeable future.

The Group continues to focus on growing its maintenance business as it provides the Group with recurring income and revenue streams. Recurring revenue augments well and adds stability to the Group's largely project-based business.

11. Dividend:

(a) Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding period of the immediately preceding financial year

Nil.

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.



12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended in view of the developments in the Group’s expansion and diversification strategy into the renewable energy sector.

13. If the Group has obtained a general mandate from shareholders for interested person transactions (“IPTs”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a shareholders’ mandate for interested person transactions.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers as set out in Appendix 7H under Rule 720(1).

15. Updates on use of IPO proceeds and placement exercise proceeds

IPO Proceeds

	Amount allocated	Amount utilised	Balance of net proceeds as at at the date of this announcement
	S\$ million	S\$ million	S\$ million
Expansion through acquisitions and venture into new geographical markets	1.00	0.93 ⁽¹⁾	0.07
General working capital	3.50	3.50 ⁽²⁾	-
Net proceeds from IPO	<u>4.50</u>	<u>4.43</u>	<u>0.07</u>

Notes:

- (1) Utilised for payment of purchase consideration for acquisition of 60% of the issued and paid-up share capital of Golden Harvest and expansion into Indonesia
- (2) Utilised for payment of supplier invoices for our projects

Placement Exercise Proceeds

	Amount allocated	Amount utilised	Balance of net proceeds as at at the date of this announcement
	S\$ million	S\$ million	S\$ million
General working capital purposes	3.70	2.20 ⁽¹⁾	1.50

Note:

(1) Utilised for payment of supplier invoices for our projects

16. Confirmation by the Board Pursuant to Rule 705(5)

The Board of Directors confirms, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements for half year ended 31 March 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lim Say Chin
Executive Chairman and Managing Director
14 May 2019

Chew Chee Keong
Executive Director