

Issuer: Accrelist Ltd.

Security: Accrelist Ltd.

Meeting details:

Date: 28 July 2017

Time: 2.00 p.m.

Venue: 10 Ubi Crescent, #02-07 Ubi Techpark, Lobby A, Singapore 408564

Company Description

Accrelist Ltd. engages in the commodities business in Singapore and internationally. It operates through two segments, Systems and Equipment Distribution, and Commodities Resource Trading. The System and Equipment Distribution segment provides engineering support services that range from installation, calibration, integration, and testing of systems to applications training and maintenance of systems. Its Commodities and Resources segment offers supply chain management services for natural materials. The company was formerly known as WE Holdings Ltd. and changed its name to Accrelist Ltd. in November 2016. Accrelist Ltd. was incorporated in 1986 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5RJ)

Q1. In the Chairman’s Message (page 2 of the annual report), the “significant improvement in the performance of our associate company, Jubilee Industries Holdings Limited (“JIH”)” was highlighted. Revenue at JIH gained 28.6% to hit S\$108.8 million. It was also mentioned that JIH’s improvement was in part due to “Accrelist’s support in its market expansion efforts as well as review exercises for cost and capital control improvements”.

- a) **Given that JIH is only a 29% associate company of the group, how much influence and control does the company have over JIH?**
- b) **What other due diligence has been carried out before the company entered into a US\$8,000,000 3 years convertible loan agreement with JIH?**

JIH reported a net loss attributable to equity holders of the company of S\$(7.5) million in 2017, an improvement from the loss of S\$(21.8) million in 2016.

- c) **Can management elaborate further on how it is helping JIH to return to profitability?**

As at 31 March 2017, the fair value of the group’s interest in JIH was US\$3.0 million, using the fair value measurement classified within Level 1 of the fair value hierarchy while the carrying value of group’s interest in JIH was US\$5.9 million.

- d) **Can shareholders understand the likelihood of further impairment to JIH?**
- e) **Would it be prudent to carry the associate at the fair value measurement classified within Level 1 of the fair value hierarchy (of US\$3.0 million)?**

Q2. It was also mentioned that the group has been looking into “prospective education and financial technology (i.e. crowd funding and e-wallet) business, with a view to helping small and medium size enterprises as well as start-ups raise capital and put them on the right track for the future”.

- a) **What is the relevant expertise that currently resides in the group that would allow the group to be successful in these new businesses?**
- b) **What is the group’s track record in “marketing, capital raising and cost control”?**
- c) **Globally, the crowdfunding and e-wallet space have received a lot of investors’ money and entrepreneurs’ attention. How does the group intend to differentiate itself from the competitors in the same space?**

Q3. On 8 July 2017, the company announced that it had made certain material adjustments and reclassifications to the Unaudited Results (first announced on 31 May 2017), following the finalisation of the audit.

The material variances were as large as US\$4.998 million in the Statement of comprehensive income and US\$16.0 million in the balance sheet. Following the finalization of audit, loss before tax was restated from US\$(3.2) million to US\$(6.0) million and total equity was restated down by US\$(4.1) million to US\$(29.1) million.

Reasons provided include:

- Reclassification from marketing expenses and additional expenses incurred
- Further accrual for interest of the convertible loan
- An impairment on an associated company of US\$3.6 million
- Currency translation losses of US\$1 million
- Reclassification to non-current trade and other receivables, current convertible loan and derivative financial instruments
- Increase in allowance for impairment of trade and other receivables of US\$0.9 million

- Reclassification from other financial liabilities to convertible loan
- a) **As management is responsible for the preparation of financial statements to give a true and fair view in accordance with the provisions of the Act and FRSs, how can shareholders get the assurance from management that the financial statements are prepared in accordance with the provisions of the Act and FRSs?**
- b) **As directors' responsibilities include overseeing the group's financial reporting process, can the board help shareholders understand how it has helped management to improve its financial reporting?**

Specifically, the audit committee (comprising Mr Oh Choon Gan (as chairman), Mr Ng Li Yong and Mr Wan Tai Foong) has the responsibility to "review the financial statements of the Group to ensure integrity before submission to the Board for approval and the independent auditor's report on those financial statements, if any" (page 18).

- c) **Can the members of the audit committee explain their involvement in the preparation of the financial statements?**
- d) **What are the board's recommendations to management to prevent such material restatements from happening again?**