

**Issuer:** ACROMECC Limited

**Security:** ACROMECC Limited

**Meeting details:**

Date: 25 January 2018

Time: 2.00 p.m.

Venue: National Service Resort & Country Club, 10 Changi Coast Walk, Singapore 499739

## Company Description

Acromec Limited, an investment holding company, provides specialist engineering services in the field of controlled environments in Singapore. The company operates in two segments, Engineering, Procurement, and Construction; and Maintenance. It designs and constructs facilities requiring controlled environments, such as laboratories, medical and sterile facilities, and cleanrooms; and provides engineering, procurement, and construction services, such as architectural, mechanical, and electrical and process works within controlled environment. The company also provides maintenance and repair services for facilities and equipment of controlled environments and their supporting infrastructure. It serves hospitals and medical centers, 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. The company was founded in 1996 and is based in Singapore. Acromec Limited operates as a subsidiary of Ingenieur Holdings Pte. Ltd.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=43F](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=43F))

**Q1.** The group reported revenue of \$43.5 million and recognised a net loss attributable to shareholders of \$(4.59) million for the financial year ended 30 September 2017. In the Chairman's Statement, the loss was attributed to project cost overruns "on a few of the group's major projects" (page 5 of the 2017 Annual Report).

In the 2016 Annual Report, the Chairman had brought up the following:

- Costs were incurred and recognised from additional work done on unanticipated customer requirements and work scope changes in a few major projects.
- .... submitted the related variation orders and is in discussions with customers
- The Group has since taken active steps to rationalise its costs and streamline its processes so as to achieve cost and operational optimisation.
- We will also be more prudent in managing similar unforeseen situations in the future to mitigate the impact of such situations to the Group.

- a) **Can management help shareholders understand how it deals with variation orders and project scope creep?**
- b) **Has the group improved on its framework/system of dealing with changes to project scope, unanticipated requirements and variation orders so that the group can capture its fair share of value generated for the benefit of shareholders?**
- c) **The group prides itself as a specialist engineering services provider with 20 years of experience in the field of controlled environments. Can management elaborate further on the factors that led to several of the group's major projects all suffering cost overruns at the same time? What improvement has been implemented so that such the chances and the impact of such cost overruns are reduced?**

**Q2.** The group has re-entered the pharmaceutical industry market in the second half of this year with a "priced to win" strategy (page 5) to secure a first project after a long while.

- a) **What were the reasons that led the group to exit the pharmaceutical industry prior to this project? What has changed to prompt the group to re-enter the pharmaceutical industry?**
- b) **Given that the project was won with a "priced to win" strategy, is the group likely to incur losses from this project?**
- c) **What is the group's long term strategy to enter and scale up its operations in the pharmaceutical segment?**

**Q3.** The acquisition of 60% of the issued and paid-up capital of Golden Harvest Engineering Pte Ltd was completed on 3 January 2017. The purchase consideration included contingent payments that were based on Golden Harvest achieving a profit after tax not less than \$300,000 for the financial years ending 30 June 2017 and 2018.

- a) **Can management let shareholders know if the newly acquired subsidiary has been fully integrated into the group?**
- b) **What is the progress made by the group in the year to leverage on the network and capability of Golden Harvest?**
- c) **Can the company let shareholders know if Golden Harvest achieved a profit after tax of not less than \$300,000 for the financial year ended 30 June 2017, and thereby meeting the conditions for the contingent payment?**