



ACESIAN PARTNERS LIMITED

ANNUAL
REPORT **2016**

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte Ltd, for compliance with the relevant rules of 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. Leong Weng Tuck, Registered Professional, RHT Capital Pte Ltd, Six Battery Road #10-01, Singapore 049909, Tel: (65) 6381 6757.

Founded in Singapore in 1998, Acesian Partners Limited (“Acesian”, formerly known as Linair Technologies Limited) is a multi-disciplinary group providing one-stop environmental solutions and integrated services to diverse industries including semiconductor, wastewater treatment, chemical, pharmaceutical and biotechnological industries. Acesian is also a leading building services and engineering solutions provider which specialises in the design, installation, testing and commissioning of Air-Conditioning and Mechanical Ventilation (ACMV) and Electrical Systems. The Company was successfully listed in the SGX Sesdaq (now known as Catalist) on February 2005.

THE ACESIAN GROUP HAS THREE MAJOR PILLARS:

MANUFACTURING

Acesian has established a strong position in the duct manufacturing industry. Our manufacturing capability encompasses Ethylene Tetrafluoroethylene (ETFE) coated stainless steel ducts, uncoated stainless steel ducts, galvanised ducts and other specialised exhaust system components.

Acesian’s competitive advantage is our FM-approved status (an international commercial and industrial property insurance and risk management organisation) for production of ETFE-coated ducts. Our FM approved ETFE coated ducts, marketed under the brand name of CMT™ are highly corrosion resistant and designed to handle both flammable and non-flammable corrosive/ toxic fumes in exhaust systems.

Our high quality galvanised and stainless steel ductwork and accessories are suitable for less corrosive applications such as heating, ventilation and air-conditioning systems for commercial and industrial buildings.

Acesian’s line of products are widely used in biotechnology, pharmaceutical and waste water treatment facilities. Besides ducts, acesian also manufactures laboratory air flow products. Our Isolation Dampers are designed for effective shut-off and isolation of one or more tiers of filters in hazardous containment exhaust systems. In bio- hazardous environments, the dampers enable air filtration systems to be shut off for decontamination, or for filter changes. Our Ecoflow Venturi fast response variable air volume box offers solutions for critical airflow application in laboratories which require proper directional airflow.

DISTRIBUTION

This segment refers to the sale and distribution of products which are mainly used in industrial, biotechnology and pharmaceutical industries. These include critical airflow control systems and ductworks for laboratories.

ENGINEERING & ENVIRONMENTAL SOLUTIONS

The Group provides turnkey facility construction management and specialist engineering; Mechanical, Electrical and Plumbing (MEP) services for commercial, residential and industrial buildings.

We also specialise in design, installation, testing and commissioning of Air Conditioning and Mechanical Ventilation (ACMV) Systems and Electrical Systems, Cleanrooms, Commercial Complexes, Offices, Production spaces, Condominiums and Research laboratories. We also provide maintenance and repair services for ACMV Systems, improvement works, additions and alterations to existing mechanical and electrical systems and facilities. Our business unit, Information Communication Technologies is able to work with our M&E division providing a one stop solution for our contractors and consultants.

Acesian has a team of specialists who engages in the project management and consultancy services for the construction of semiconductor clean rooms and laboratories up to Bio-Safety Level 3. In addition we can provide installation and servicing of fume exhaust systems in the semiconductor, pharmaceutical and chemical industries.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

The financial year ended 31 December 2016 (“FY2016”) was a trying and difficult year for the Group. At the onset of this report, I would like to express my gratitude and thanks to those shareholders, suppliers, sub-contractors, customers and members of staff that have supported the Group and its subsidiaries during this trying year. During this challenging period faced by the Group, your support is important to us as we take further steps to strengthen and return the Group to a position of financial strength.

Despite revenues of \$46.8 million, an increase of 36% over the previous year, the Group suffered a loss after tax of \$2.2 million, undoing the good financial performance achieved in the financial year ended 31 December 2015 (“FY2015”) of profit after tax of \$2.5 million.

The uncertainty faced by our subsidiary, Acesian Star (S) Pte Ltd (“ASPL”), in relation to disputes on the projects at Terminal 4 and Terminal 1 Extension at Changi Airport have adversely affected the financials of the Group. This is despite the good performance and profitability achieved by the rest of the Group.

The disputes arising out of the ongoing projects at Changi Airport have resulted in ASPL being placed in judicial management. We hope that the Company can be rehabilitated and the good project record of ASPL and its technical capability and know-how preserved. The judicial managers are Deloitte and the management are assisting and working with them to reach a final amicable settlement with all the creditors of ASPL.

The Group’s other business units are operationally and financially doing well. We will continue to work on our existing network to capitalise on ongoing opportunities in the respective segments. In addition, we are looking to expand our overseas markets, improve the efficiency and productivity in our factories as well as look at various government initiatives and schemes to improve the productivity of our factories.

FINANCIAL REVIEW

During the year, the Group registered approximately 36.0% rise in revenue from S\$34.4 million in FY2015 to S\$46.8 million in FY2016. Both our major segments achieved increased revenue. Engineering revenue increased by S\$4.9 million from S\$21.9 million in FY2015 to S\$26.8 million in FY2016. Manufacturing revenue increased by S\$7.6 million from S\$11.2 million in FY2015 to S\$18.8 million in FY2016. Only Distribution and Services revenue decreased slightly.

Although the Group achieved higher sales revenue, gross profit decreased 2.9% in FY2016 compared to FY2015. Gross profit margins decreased from 22.5% in FY2015 to 16.1% in FY2016 which was mainly due to the disputes for Changi Airport Terminal 4 project.

Other operating income decreased by S\$0.2 million from S\$1.5 million in FY2015 to S\$1.3 million in FY2016, mainly due to lower exchange gains in FY2016. Administrative expenses increased by S\$1.0 million from S\$4.2 million in FY2015 to S\$5.2 million in FY2016 due to higher administrative staff costs to support higher level of sales activity and legal costs incurred in the on-going disputes for the project at Changi Airport. Other operating expenses increased by \$3.4 million from \$2.0 million in FY2015 to \$5.4 million in FY2016 due mainly to the impairment of goodwill, impairment of intangible assets as well as the call of performance bond by the main contractor in relation to the on-going disputes for our project at Changi Airport Terminal 4. Finance costs increased by \$0.1 million due to higher interest expenses.

The Group maintained a liquidity position as shown by a current ratio of 1.79 as at 31 December 2016. The Group's cash position including pledged bank deposits stood at a total of S\$7.5 million as at 31 December 2016. On a per share basis, loss per share was 0.62 cents in the year in review, compared to earnings per share of 0.73 cents in the previous year. Net asset value per share as of 31 December 2016 was 3.32 cents, a decrease from 4.25 cents as of 31 December 2015.

BUSINESS AND OPERATIONS REVIEW

While FY2015 was a year where our positive restructuring came into effect and we achieved a good level of profitability, FY2016 proved challenging. The continuous good performance by our trading and manufacturing subsidiaries was marred by the cost of disputes arising in relation to the subsidiaries' projects at Changi Airport.

OUTLOOK

The economic environment will continue to remain challenging with present macroeconomic dynamics and intensive competition within the industry.

The Group will continue to remain vigilant about cost management and is still carrying out the ongoing process of restructuring and continuous improvement, and will stay open to any opportunities presented by the market.

CONCLUSION

In closing, on behalf of the Board of Directors, we would like to extend our heartfelt appreciation to our management and staff for their hard work and commitment towards the Acesian Group. We would also like to express our sincere gratitude to our valued shareholders, stakeholders and contractors for your unwavering belief in us, especially those that have chosen to support us in this difficult and challenging time. We hope you will continue to give us your support as we navigate the challenging economic landscape ahead.

Loh Yih

Executive Chairman and Executive Director

BOARD OF DIRECTORS

MR LOH YIH

Executive Chairman & Executive Director

Mr Loh was appointed as our Executive Chairman in September 2013. He is responsible for the overall management and performance of the Company, its subsidiaries and associated companies. Mr Loh is the Managing Partner of MGF Management Pte Ltd, which was an exempt fund management company that focuses primarily on China Private Equity Investment. In 2005, he invested in Netplus Communication Pte Ltd, an internet service provider in Singapore. He took over as Managing Director from 2005, restructuring and turning the company around before selling the entity to MediaRing, a listed company in 2006. Mr Loh has a professional background in financial services. He has held positions in merchant banking with Standard Chartered Merchant Bank Asia Ltd and West Merchant Bank and in audit with Ernst & Young LLP. He currently holds directorships in Ban Leong Technologies Limited, International Press Softcom Limited and Weichai Power Co. Ltd.

Mr Loh graduated with a Bachelor's Degree in Accountancy (Honours) from National University of Singapore in 1988. He is also a Chartered Financial Analyst.

MR WONG KOK CHYE

Group Chief Executive Officer & Executive Director

Mr Wong Kok Chye is the Group Chief Executive Officer. Mr Wong joined the Group in 2000 as Project Director and held several other senior positions within the Group before assuming his present position in January 2013.

Mr Wong holds a Bachelor Degree in Engineering with First Class Honours in Mechanical Engineering from Queen's University of Belfast.

MR HO TA-HUANG

Non-Executive & Non-Independent Director

Mr Ho Ta-Huang is the founder and Chairman of Chern Dar Enterprise Company Limited, a business partner of Acesian Group, which is based in Taiwan. He is a member of the Audit Committee, the Nominating Committee and the Remuneration Committee. Mr Ho has over 30 years of experience in the business of manufacturing and installation of stainless steel and galvanised steel ductworks in Taiwan.

Mr Ho is the honorary Chairman of the Taiwan Hardware Association and an inspector with the Taiwan Ventilation Equipment Association.

MR ONG CHIN LIN

Lead Independent Non-Executive Director

Mr Ong Chin Lin was appointed on 30 November 2004 and is a Lead Independent Director at Acesian Group. He is the Chairman of the Audit Committee, and a member of the Remuneration Committee and the Nominating Committee. Mr Ong had previously held senior financial and operations positions at Prima Flour Ltd, Malaysia-Beijing Travel Sdn Bhd and Nylect Technology Limited. He is currently Independent Director of Old Chang Kee Ltd.

Mr Ong graduated with a Bachelor of Commerce (Accountancy) from the then Nanyang University in 1970.

He is a fellowship member of the Institute of Chartered Accountants in England & Wales, and also a member of the Malaysia Institute of Accountants.

MR YEO MENG HIN

Independent Non-Executive Director

Mr Yeo Meng Hin was appointed as our Independent Non-Executive Director in September 2013. He was also concurrently appointed as the Chairman of the Remuneration Committee, Chairman of the Nominating Committee and a member of the Audit Committee. Mr Yeo is the Asia Pacific Head of Human Resources for a global logistics company. He has also held senior positions at SMRT Corporation Ltd and DFS Group Ltd and brings with him experience in various human resource and consultancy roles in a wide array of industries including hospitality, professional services, property, financial services and retail.

Mr Yeo holds an MBA from the University of Phoenix, USA; a Graduate Diploma in Personnel Management from the Singapore Institute of Management, and a Bachelor of Arts (Economics) from National University of Singapore. He is a Certified Compensation Professional (CCP) and a Global Remuneration Professional (GRP) with the American Compensation Association. He is also a Board Member of Singapore Corporation of Rehabilitative Enterprises (SCORE) and previously a Council Member & Treasurer of the Singapore Human Resources Institute.

SENIOR MANAGEMENT

MR NG YUI WEI

Group Chief Financial Officer

Mr Ng Yui Wei joined the Group as Group Chief Financial Officer in June 2014 and is responsible for the Group's statutory financial accounts, consolidation and financial reporting to the SGX-ST and overall financial and accounting management of the Group. Mr Ng is also the Company Secretary.

Mr Ng has more than 16 years of experience in finance and accounting in various industries/organisations and held several financial roles, which included overseeing the finance and accounting function of SGX listed companies.

Mr Ng holds a Bachelor Degree (Hons) in Business Economics and a Master's Degree in Professional Accounting. He is a member of the Institute of Singapore Chartered Accountants, a member of CPA Australia and a certified internal auditor of the Institute of Internal Auditors.

MS LEE WEE BENG

Group Human Resource Manager

Ms Lee Wee Beng joined the Group as HR Manager in June 2011. She is responsible for the Group's Human Resource program development and implementation. Ms Lee also oversees the Group's administration function.

Ms Lee has more than 20 years of experience in developing people, business and operations both in Malaysia and Singapore. She has broad experience implementing service and operations excellence, process improvements and HR management programs.

Ms Lee holds a Bachelor Degree (Hons) in Business Administration from University of Bolton, United Kingdom.

CORPORATE STRUCTURE

ACESIAN TECHNOLOGIES PTE LTD	100%	ACESIAN ENGINEERING (M) SDN BHD	100%	ACESIAN ENGINEERING PTE LTD	100%
ACESIAN SYSTEMS PTE LTD	100%	ACESIAN SUN PTE LTD	100%	ACESIAN STAR (S) PTE LTD (UNDER JUDICIAL MANAGEMENT)	100%
ACTIVE BUILDING TECHNOLOGIES PTE LTD	100%	LINAIR TECHNOLOGIES (SUZHOU) CO., LTD (IN LIQUIDATION)	100%	SHANGHAI XIANDA INDUSTRY EQUIPMENT INSTALLATION CO., LTD	70%

CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER

199505699D

REGISTERED OFFICE

33 Mactaggart Road,
#04-00 Lee Kay Huan Building
Singapore 368082
Tel: (65) 6757 5310
Facsimile: (65) 6757 5319
Corporate Website: <http://www.acesian.com>

DIRECTORS

Loh Yih
- Executive Chairman & Executive Director

Wong Kok Chye
- Group Chief Executive Officer & Executive Director

Ong Chin Lin
- Independent Non-Executive Director

Yeo Meng Hin
- Independent Non-Executive Director

Ho Ta-Huang
- Non-Executive & Non-Independent Director

AUDIT COMMITTEE

Ong Chin Lin (Chairman)
Yeo Meng Hin
Ho Ta-Huang

NOMINATING COMMITTEE

Yeo Meng Hin (Chairman)
Ong Chin Lin
Ho Ta-Huang

REMUNERATION COMMITTEE

Yeo Meng Hin (Chairman)
Ong Chin Lin
Ho Ta-Huang

COMPANY SECRETARY

Ng Yui Wei

BANKERS

United Overseas Bank Limited
Standard Chartered Bank (Singapore) Limited
RHB Bank Berhad Singapore

AUDITORS

PKF-CAP LLP
6 Shenton Way #38-01
OUE Downtown 1
Singapore 068809

PARTNER-IN-CHARGE

John Lim Geok Peng
(with effect from financial year 2013)

SHARE REGISTRAR

KCK CorpServe Pte Ltd
333 North Bridge Road
#08-00 KH KEA Building
Singapore 188721

SPONSOR

RHT Capital Pte Ltd
6 Battery Road #10-01
Singapore 049909

The Board of Directors (the “**Board**” or the “**Directors**”) of Acesian Partners Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to maintaining good corporate governance to enhance and safeguard the interest of its shareholders. This report below describes the corporate governance framework and practices of the Company with reference to the Code of Corporate Governance 2012 (the “**Code 2012**”) for the financial year ended 31 December 2016 (“**FY2016**”). Explanations are provided where there are deviations from the Code 2012. The Company has complied with the principles of the Code where appropriate.

1. BOARD MATTERS

1.1. Board’s Conduct of Affairs

Principle 1: Every Company should be headed by a long-term effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with the Executive Directors and the executive officers of the Company (collectively known as the “Management”) to achieve this and the Management remains accountable to the Board.

The primary function of the Board is to protect and enhance long term value and returns for shareholders. Besides carrying out its statutory responsibilities, the Board’s roles include:

- Providing entrepreneurial leadership stewardship to the Company including charting its corporate strategies and business plans;
- Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- Authorizing and monitoring major investment, acquisitions, legal initiatives and strategic commitments;
- Reviewing and assessing the performance of the Management;
- Overseeing the evaluation of the adequacy of internal controls, addressing risk management, financial reporting and compliance, and satisfying itself as to the sufficiency of such processes;
- Establishing a framework for effective control, including the safeguarding of shareholders’ interests and the company’s assets;
- Providing guidance and advice to Management;
- Being responsible for good corporate governance;
- Considering sustainability issues, including environmental and social factors, as part of the Company’s strategic formulation;
- Identifying key stakeholder groups of the Company and recognising that their perceptions affect the Company’s reputation; and
- Setting the Company’s values and standards, including ethical standards, and ensuring that the obligations to its shareholders and other stakeholders are understood and met.

All Directors are expected to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

CORPORATE GOVERNANCE

The Board has also adopted strict internal guidelines and financial authority limits structure setting forth matters that require Board approval. The Board's decision or specific approval is required on matters such as commitments and payments of operating and capital expenditure exceeding S\$2,000,000, major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends, acceptance of bank facilities, release of the Group's half year and full year results announcements and interested person transactions of a material nature.

The Company's Articles of Association permit the Directors of the Company to attend meetings through the use of audio-visual communication equipment.

In between the scheduled meetings, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held in FY2016				
Directors	Number of meetings attended in FY2016			
Loh Yih	6	3 ⁽¹⁾	3 ⁽¹⁾	1 ⁽¹⁾
Wong Kok Chye	6	3 ⁽¹⁾	3 ⁽¹⁾	1 ⁽¹⁾
Ong Chin Lin	5	3	3	1
Ho Ta-Huang	0	0	0	0
Yeo Meng Hin	6	3	3	1

Notes:

(1) Attendance by invitation.

To assist the Board in the discharge of its responsibilities, the Board has established the Audit Committee, Nominating Committee and Remuneration Committee (collectively referred to as the "**Board Committees**"). Upon its establishment, the Board Committees operate within clearly defined terms of reference and operating procedures, which would be reviewed on a regular basis. Minutes of all Board Committees meetings will be circulated to the Board so that the Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

1.2. 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 currently consists of five (5) Directors and is as follows:

Loh Yih	Executive Chairman and Executive Director
Wong Kok Chye	Executive Director and Group Chief Executive Officer
Ong Chin Lin	Lead Independent Non-Executive Director
Yeo Meng Hin	Independent Non-Executive Director
Ho Ta-Huang	Non-Executive and Non-Independent Director

The Company endeavours to maintain a strong and independent element on the Board. At present, two (2) of the Company's Directors are independent. The Company is aware that in accordance with Guideline 2.2 of the Code 2012, at least half of the Board should constitute Independent Directors where the Chairman is not an Independent Director. The Company is in the process of looking out for suitable candidate and shall endeavor to comply with this Guideline 2.2 during the next financial year.

The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its 10% shareholders⁽¹⁾ or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgement of the Group's affairs in the best interests of the Company. The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that would interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement, with a view in the best interests of the Company. The independence of each Director will be reviewed annually by the Nominating Committee in accordance with the definition of independence in the Code 2012. The Nominating Committee has reviewed and is of the view that the two (2) Independent Directors are independent.

The Board notes that Mr Ong Chin Lin ("**Mr Ong**") has been an Independent Director of the Company for more than 9 years. The Board reviews regularly the independence of Mr Ong, and is of the opinion and agreement that he is suitable to continue as an Independent Director of the Company. During the 10 years period, Mr Ong had no relationship with the Company, its related companies, its 10% shareholders or its officers. Neither Mr Ong nor any of his immediate family member has been employed by the Company or its related companies, has accepted any significant compensation by the Company or its related Company, has been a 10% shareholder, partner, Director or executive officer of an organisation which has provided or received significant payments or material services from the Company, is a 10% shareholder of the Company, or has been directly associated with a 10% shareholder of the Company. In addition, the Board also reviews the performance of each Independent Director and opine that Mr Ong having gained good understanding of the Group's business and operations will be able to continue to bring in valuable expertise, experience and knowledge to the Board. To ensure continued management and governance, the Board believes that Mr Ong can provide the necessary and required stability to work with both new and old directors to collectively drive the Group forward.

The Board also agreed that the independence of the Independent Director must be based on the substance of their professionalism, integrity and objectivity, and not merely based on the number of years which they have served in Board. The Company conducts a detailed and rigorous review to ascertain and satisfy the independence of Mr Ong.

A review of the size of the Board will be undertaken by the Company, and the Nominating Committee will also determine if the current size and composition of the Board is appropriate for the scope and nature of the Group's operations, and facilitate effective decision-making. In line with Code 2012, the Nominating Committee will take into account the requirements of the Group's businesses and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Nominating Committee considers the current Board size to be appropriate for effective decision-making, taking into account the nature and scope of the Group's operations.

¹ The Code 2012 defines a 10% shareholder as a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that shares is not less than 10% of the total votes attached to all the voting shares in the Company.

The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The Nominating Committee has reviewed and is of the view that the current Board comprises persons who as a group provide an appropriate balance and diversity of skills, experience and capabilities required for the Board to be effective, and the present composition of the Board allows it to exercise objective judgement on corporate matters and that no individual or small group of individuals dominates the decisions of the Board.

The Non-Executive Directors effectively check on Management by constructively challenging and helping to develop proposals on strategy. They monitor and review the reporting and performance of Management in meeting agreed goals and objectives. The Non-Executive Directors may meet regularly on their own as warranted without the presence of Management.

The profiles of the Directors are set out on page 4 of this Annual Report.

Upon appointment to the Board, each Director will be given appropriate briefings by the Management on the business activities of the Group, its strategic direction and the Company's corporate governance policies and practices.

Directors will be updated regularly on accounting and regulatory changes, and are encouraged to attend workshops, seminars and training, to enhance their skills and knowledge, or on relevant new laws, regulations and changing commercial risks.

1.3. Chairman and CEO

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.

The Company adopts a dual leadership structure whereby the roles of Chairman & CEO are separate. There is a clear division of responsibilities between the company's Executive Chairman & CEO, which provides a balance of power and authority.

Mr Loh Yih is the Executive Chairman of the Board, and is responsible for the management of the Board to ensure the effectiveness and integrity of the governance process. Mr Wong Kok Chye is the Chief Executive Officer ("CEO"), who is responsible for the business and operational decisions of the Group. The Board is of the view that there is a clear division of responsibilities between the Executive Chairman and the CEO in order to ensure that there is an appropriate balance of power, increased accountability and sufficient capacity of the Board for independent decision making. The Executive Chairman is not related to the CEO.

The CEO works with the Board to determine the strategy for the Group and is responsible for the Group's business performance. He reports directly to the Board, and updates the Board on the performance of the Company during regular meetings and ensures that policies and strategies adopted by the Board are implemented. The CEO also works with the senior management of the Group to ensure that the senior management operates in accordance with the strategic and operational objectives of the Group.

The Executive Chairman leads the Board to ensure its effectiveness on all aspects of its role. He approves the agendas for the Board, and ensures that adequate time is available for discussion of all agenda items during the meetings, in particular strategic issues. The agendas for Board Committees are approved by the Executive Chairman together with the respective chairpersons of the Board Committees.

The Executive Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board, the Management and the shareholders of the Company. He encourages interactions between the Board and the senior management, as well as between the Executive and Non-Executive Directors, and promotes a culture of openness and debate at the Board. The Executive Chairman also ensures that the Directors receive complete, adequate and timely information and ensures effective communication with shareholders. In addition, the Executive Chairman takes a leading role in ensuring the Company's compliance with corporate governance guidelines.

In order to ensure good corporate governance practice and that there is no concentration of power and authority vested in one individual, the Company has appointed Mr Ong as the Lead Independent Director. The Lead Independent Director will be available to the shareholders where they have concerns which cannot be resolved through the normal channels of the Executive Chairman, the CEO or the Chief Financial Officer, or where such contact is not possible or inappropriate. The Independent Directors will also meet periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

1.4. Board Membership

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

The Nominating Committee

The Company has constituted a Nominating Committee to, among other things, make recommendations to the Board on all Board appointments and oversee the Company's succession and leadership development plans. The Nominating Committee comprises Mr Yeo Meng Hin (Chairman of the Nominating Committee), Mr Ong Chin Lin, and Mr Ho Ta-Huang, the majority of whom, including the Chairman, are independent.

The primary function of the Nominating Committee is to determine the criteria for identifying candidates, review nominations for the appointment of Directors to the Board, decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:

- (a) to make recommendations to the Board on all Board appointments and re-nomination having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation, candour and any other salient factors);
- (b) to ensure that all Directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
- (c) to determine annually whether a Director is independent, in accordance with the guidelines contained in the Code 2012;
- (d) to decide whether a Director is able to and has adequately carried out his duties as a director of the Company, in particular, where the Director has multiple board representations;
- (e) to review and approve any new employment of related persons and the proposed terms of their employment;
- (f) put in place and review Board succession plans for the Directors, and in particular, for the Chairman of the Board and the Chief Executive Officer of the Company;

CORPORATE GOVERNANCE

- (g) to decide how the Board's performance may be evaluated and to propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long term shareholders' value; and
- (h) to review the training and professional development programs for the Board.

The Board has implemented a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his performance or re-nomination as a Director.

There is a formal and transparent process for the appointment of new Directors to the Board. The Nominating Committee reviews and recommends all new Board appointments and also the re-nomination and re-appointment of Directors to the Board. The Nominating Committee has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, legal, finance and management skills critical to the Company's business and that each Director contributes and brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In the nomination and selection process of a new Director, the Nominating Committee identifies key attributes of an incoming Director based on the requirements of the Group and recommends to the Board the appointment of the new Director. The Nominating Committee will take into consideration the current Board size and its composition – including the mix of expertise, skills and attributes of the Directors – and determine if the candidate's background, experience and knowledge will bolster the core competencies of the Board.

Annually, the Nominating Committee will assess the independence of each Director, the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board. The Nominating Committee is also required to determine whether Directors who hold multiple board representations are able to and have been devoting sufficient time to discharge their responsibilities adequately. The Code 2012 requires listed companies to fix the maximum number of board representations on other listed companies that their directors may hold. The Nominating Committee has conducted an annual review of the independence of the Independent Directors, based on guidelines stated in the Code 2012, and has ascertained that they are independent. The Nominating Committee has also fixed the maximum number of board representations on other listed companies that their Directors may hold to be nine (9) based on its assessment of the time commitment requirements for the Group and the board representations each Director can reasonably be expected to manage.

All Directors are subject to the provisions of Article 89 of the Company's Articles of Association whereby one-third of the Directors are required to retire and subject themselves to re-election by the shareholders at each annual general meeting, and each Director is required to subject himself for re-nomination and re-election at least once every three (3) years. In addition, any new Director appointed during the year either to fill a casual vacancy or as an addition to the Board will have to retire at the annual general meeting following his appointment, and is eligible for re-election if he/she desires so.

The Nominating Committee has recommended to the Board that – Mr Yeo Meng Hin and Mr Wong Kok Chye be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. Mr Yeo Meng Hin will, upon re-election as a Director, remain as the Chairman of Nominating and Remuneration Committee and a member of the Audit Committee. Mr Wong Kok Chye will, upon re-election as a Director, remain as the Executive Director and Group Chief Executive Officer of the Company. The current directorships and other principal commitments of Mr Yeo Meng Hin and Mr Wong Kok Chye are found in the table below.

Key information regarding the Directors, including the date of initial appointment and last re-election of each Director, together with their directorships in other companies, are set out on page 4 of this Annual Report and below:

Name of Director	Date of initial Appointment	Date of last re-election	Directorships in other listed companies		Other Principal Commitments
			Current	Past 3 Years	
Loh Yih	30 September 2013	28 April 2016	<ul style="list-style-type: none"> • Ban Leong Technologies Limited • International Press Softcom Limited • Weichai Power Co. Ltd. 	Nil	Nil
Wong Kok Chye	7 January 2013	22 April 2015	Nil	Nil	Nil
Ong Chin Lin	30 November 2004	28 April 2016	<ul style="list-style-type: none"> • Old Chang Kee Ltd 	Nil	Consultant
Ho Ta-Huang	7 December 2001	22 April 2015	Nil	Nil	Chairman of Chern Dar Enterprise Co., Ltd
Yeo Meng Hin	30 September 2013	30 April 2014	Nil	Nil	Asia Pacific Head of Human Resources for a global logistics company

There are no alternate directors appointed in the Company.

1.5. Board Performance

Principle 5: There should be a formal 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.

Review of the Board's performance will be conducted by the Nominating Committee annually. The Nominating Committee is guided by its terms of reference which set out its responsibility for assessing the Board's effectiveness as a whole, the effectiveness of its Board Committees, and the contribution from each individual Director to the effectiveness of the Board. The Board, through the delegation of its authority to the Nominating Committee, has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, legal, finance and management skills critical to the Company's business and that each Director contributes and brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In assessing the effectiveness of the Board, the Nominating Committee considers a number of factors, including the discharge of the Board's functions, access to information, participation at Board meetings and communication and guidance given by the Board to the Management. The Nominating Committee's focus in the assessment of the Board's effectiveness is on its ability to provide supervisory and oversight.

With regard to the performance evaluation process, each Director will complete an evaluation questionnaire to assess the performance of the Board as a whole and his individual performance, and provide the feedback to the Nominating Committee. Each member of the Audit Committee, Nominating Committee and Remuneration Committee will also complete evaluation questionnaires in respect of the Audit Committee, Nominating Committee and Remuneration Committee respectively. A summary report will be compiled by the Chairman of Nominating Committee and submitted to the Chairman of the Board for analysis and discussion with a view to implement certain recommendations to further enhance the effectiveness of the Board. If necessary, a copy of the summary report will be extended to the individual Director for information and feedback. No external facilitator was used in the evaluation process.

In reviewing the Board's effectiveness as a whole, the Nominating Committee shall take into account feedback from Board members as well as the Director's individual skills and experience. The Nominating Committee will also consider the guidelines set out in the Code 2012 for the evaluation and assessment of the performance of the Board as a whole in achieving strategic objectives. The Nominating Committee is of the view that although some of the Directors have multiple board representations, these Directors are able and have been adequately carrying out their duties as Directors of the Company.

The Nominating Committee, having reviewed the overall performance of the Board and the respective committees in terms of its roles and responsibilities and the conduct of its affairs as a whole, and the individual Director's performance, is of the view that the performance of the Board, the respective committees and each individual Director has been satisfactory. While the NC is aware that Mr. Ho was unable to attend the Board and Committee meetings in person, he is constantly updated via telephone or personally on the ongoing developments via a translator, proxy or a member of the Board. He has provided advice and stewardship in his capacity as a non-executive director via remote access.

1.6. Access to Information

Principle 6: In order to fulfill 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 the importance of continual dissemination of relevant information which is explicit, accurate, timely and vital to the Board in carrying out its duties. The Management reports to the Board the Company's progress and drawbacks in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues encountered by the Company in a timely and accurate manner. Prior to each Board meeting, the Board members are each provided with the relevant documents and the necessary information to allow the Board to comprehensively understand the issues to be deliberated upon and to make informed decisions thereon, including periodic financial summary reports, budgets, forecasts and other disclosure documents. In respect of budgets, any material variances between projections and actual results of the Company will be reviewed by the Directors, and will be disclosed and explained by the Company to the shareholders. Directors are also entitled to request from Management additional information required to make informed decisions, which the Management will provide in a timely manner.

In exercising their duties, the Directors have unrestricted, separate and independent access to the Company's Management, company secretary ("**Company Secretary**") and independent auditors. The Company Secretary attends all Board meetings of the Company, ensures a good flow of information within the Board and between the management and the Non-Executive Directors, attends to corporate secretariat administration matters, and advises the Board on governance matters, ensuring Board procedures are followed and that applicable rules and regulations are complied with. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as directors.

2. REMUNERATION MATTERS

2.1. Procedures for Developing Remuneration Policies

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 Remuneration Committee comprises Mr Yeo Meng Hin (Chairman of the Remuneration Committee), Mr Ong Chin Lin and Mr Ho Ta-Huang, the majority of whom, including the Chairman, are independent. The Remuneration Committee will meet at least once a year and is regulated by a set of written terms of reference that sets out its duties and responsibilities. Amongst them, the Remuneration Committee shall:-

- (a) recommend to the Board a framework of remuneration for the Board and determine the specific remuneration package for each Executive Director and the key executives of the Company. The Remuneration Committee's recommendations should cover all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;
- (b) review, on an annual basis, the remuneration and any adjustments to the remuneration of employees who are related to the Directors and substantial shareholders of the Company, to ensure that their remuneration packages are in line with the Group's employee remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of the Remuneration Committee;
- (c) review the remuneration of the Executive Directors within a reasonable period from the Board's approval of the audited financial statements for the immediate preceding financial year and review the remuneration of the key management personnel (who are not also Directors or the CEO) of the Company at the end of each calendar year;
- (d) determine performance-related elements of remuneration to align the interests of the executive Directors with those of shareholders and link rewards to corporate and individual performance. Performance assessment measures should be appropriate and meaningful;
- (e) consider whether Directors should be eligible for benefits under long-term incentive schemes;
- (f) administer the Company's share option scheme;
- (g) consider and make recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and the details of the specific remuneration packages of the Directors and key executives of the Company, in addition (if appropriate) to those required by law or by the Code.

Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package. The overriding principle is that no Director should be involved in deciding his own remuneration. The Remuneration Committee has met to consider and review the remuneration packages of the Executive Directors and key executive officers, including those employees related to the Executive Directors and controlling shareholders of the Company.

The Remuneration Committee may from time to time, and where necessary or required, engage independent external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management and ensure that existing relationships, if any, between the Company and its appointed consultants will not affect the independence and objectivity of the consultants. Among other matters, this helps the Company to stay competitive in its remuneration packages. No independent external consultants have been engaged by the Company for this purpose for FY2016.

2.2. Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with 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 Remuneration Committee 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.

The Independent Directors and Non-Executive Director receive a fixed Directors' fees plus a variable component, in accordance with their contribution, taking into account factors such as effort, time spent, and responsibilities of each Director. The Remuneration Committee recognises the need to pay competitive fees to attract, motivate and retain such Independent Directors and Non-Executive Director, yet not over-compensate them to the extent that their independence (if applicable) may be compromised. Directors' fees are recommended by the Board for approval by the shareholders at the Company's annual general meeting.

The Company's Executive Directors, namely Mr Loh Yih and Mr Wong Kok Chye are remunerated based on their service agreements with the Company. The service agreements have a fixed term of three (3) years with a notice period of three (3) months. The remuneration comprises a fixed salary and performance bonuses linked to corporate and individual performances where appropriate, and is designed to align the interests of the Executive Directors with those of shareholders. Independent and Non-Executive Directors do not have service contracts with the Company.

The Group has also entered into letters of employment with all executive officers. Such letters typically provide for the salaries payable to the executive officers, their working hours, medical benefits, grounds of termination and certain restrictive covenants.

The Company's compensation framework comprises fixed pay and short-term and long-term incentives. The Company subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees and using indicators such as core values, competencies, key result areas, performance rating, and potential of the employees. Long-term incentive schemes are put in place to motivate and reward employees and align their interests with the interests of shareholders to promote the long-term success of the Company. The Company's Share Plan (defined below) is administered by the Remuneration Committee with such discretion, powers and duties as are conferred on it by the Board. A member of the Remuneration Committee shall not be involved in the deliberations of the Remuneration Committee in respect of the grant of awards to him. The Company has not granted any shares under its Share Plan (defined below).

The recommendations of the Remuneration Committee will be submitted to the Board for endorsement. The Remuneration Committee will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

2.3. 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 breakdown of remuneration of the Directors of the Company for FY2016 is as follows:

Directors/ Chief Executive Officers	Remuneration (S\$)	Fees (S\$)	Fees %	Salaries %	Bonus %	Other Benefits %	Total %
S\$250,000 to S\$500,000							
Loh Yih ⁽¹⁾	In between 250,000 to 500,000	–	–	75	10	15	100
Below S\$250,000							
Wong Kok Chye	Below 250,000	–	–	83	7	10	100
Ong Chin Lin	–	34,000	100		–	–	100
Ho Ta-Huang	–	30,000	100		–	–	100
Yeo Meng Hin	–	30,000	100		–	–	100

Notes:

(1) The Remuneration band of the Director will rise above the S\$500,000 band upon award of the Remuneration Shares.

In view of the competitive pressures in the talent market, the remuneration paid to the Executive Chairman and the Chief Executive Officer are disclosed in bands.

Details of remuneration paid to key executive officers of the Group for FY2016 are as follows:

Key Executive Officers	Salaries %	Bonus %	Other Benefits %	Total %
Below S\$250,000				
Lee Wee Beng	87	13	–	100
Ng Yui Wei	86	14	–	100

The aggregate split of total remuneration paid to the top two key senior management personnel (who are not Directors or the CEO) for FY2016 are disclosed in bands. Save for the two key executive officers described in the table above, the Company does not have any other key management personnel. The Company continues to disclose remuneration in bands in order to lower the risk of competitors approaching for our staff.

The Company confirms that no employee is an immediate family member of any Director and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2016.

Linair (now known as Acesian) Performance Bonus Share Plan

The Linair (now known as Acesian) Performance Bonus Share Plan (“**Share Plan**”) was approved by the shareholders of the Company on 27 November 2008, and has been renewed by the shareholders at the last annual general meeting held on 22 April 2015. The Share Plan was introduced to promote higher performance goals and recognize commendable exceptional achievement, and to encourage a sense of belonging in its employees. The Share Plan is designed to reward its participants by the issue and/or transfer of fully-paid shares in the Company according to the extent to which they achieve their performance targets over set performance periods.

As of the date of this Report, the Company has not granted any shares under its Share Plan.

The Company’s staff remuneration policy is based on individual’s rank and role, the individual performance, the Group’s performance and industry benchmarking gathered from companies in comparable industries. The remuneration of Non-Executive Directors takes into account their level and quality of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings. Non-Executive Directors who perform services through Board Committees will be paid additional basic and attendance fees for such services. No Director decides his own fees. Directors’ fees will be reviewed periodically to benchmark such fees against the amounts paid by other major listed companies.

3. ACCOUNTABILITY AND AUDIT

3.1. Accountability

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

The Board believes that it should conduct itself in ways that deliver maximum sustainable value to its shareholders. Timely releases of the Group’s financial results and all significant information to shareholders as well as the prompt fulfillment of statutory requirements are ways to maintain shareholder’s confidence and trust in the Board’s capability and integrity.

Currently, the Company is required to release half year and full year results announcements pursuant to the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Catalist Rules**”). In this respect, the Board, with the assistance of the Management, strives to provide a balanced and understandable assessment of the Group’s performance, position and prospects. The Board also undertakes such effort with respect to other price sensitive public reports and reports to regulators, where required. Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

The Management is responsible to the Board and the Board itself is accountable to the shareholders of the Company. The Board is provided with the management accounts of the Group’s performance and position on a monthly basis.

The Board has also established written policies of the Company to ensure compliance of the Company with legislative and regulatory requirements, including requirements under the Catalist Rules.

3.2. 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 the shareholders' interests and the Company's asset, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board also oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board and Audit Committee will review on an annual basis the adequacy and effectiveness of the Company's risk management and internal controls system, including financial, operational, compliance and information technology controls.

With the assistance of the internal audit function of the Company and through the Audit Committee, the Board reviews the adequacy and effectiveness of the Company's risk management policies and systems, and key internal controls at least on an annual basis, provides its perspective on management control and ensures that the necessary corrective actions are taken on a timely basis. There are formal procedures in place for both the internal and external auditors to report conclusions and recommendations to Management and to the Audit Committee independently.

The Board notes that no cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities and based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls are adequate to address the key financial, operational and compliance risks. Additionally, the Board is satisfied that the above mentioned internal controls including information technology controls and risk management systems are adequate and effective to address its key business risks at reporting date.

The Board has also received assurances from the CEO and Chief Financial Officer of the Group that:

- a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- b) the Company's risk management and internal control systems were adequate and effective as at 31 December 2016.

The Board understands that it may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the Company's risk management framework and policies. The Company currently does not have a separate board risk committee and will look into the need for establishment of a separate board risk committee at a relevant time.

3.3. Audit Committee

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

The Audit Committee comprises Mr Ong Chin Lin (Chairman of Audit Committee), Mr Yeo Meng Hin, and Mr Ho Ta-Huang, the majority of whom, including the Chairman, are independent.

CORPORATE GOVERNANCE

The Audit Committee members collectively possess many years of experience in accounting, legal, business and financial management. The Board considers that the members of the Audit Committee are appropriately qualified to discharge the responsibilities of the Audit Committee.

It functions under a set of written terms of reference which sets out its responsibilities below. The Audit Committee also has explicit authority to investigate any matter within its terms of reference.

- (a) review the scope and results of the audit and its cost effectiveness;
- (b) review the independence and objectivity of the external auditors annually;
- (c) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- (d) review the half year and full year financial results before submission to the Board for approval.
- (e) review the adequacy of the Group's internal controls, as set out in the Code 2012;
- (f) review the effectiveness of the Group's internal audit function;
- (g) meet periodically with the Company's internal and external auditors to review their audit plan and discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting controls without the presence of the Company's Management;
- (h) consider and recommend to the Board on the appointment, re-appointment and removal of the external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;
- (i) review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- (j) review the external and internal auditors' reports;
- (k) review the co-operation given by the Group's officers to the external auditors;
- (l) review and approve interested persons transactions, if any, falling within the scope of Chapter 9 of the Catalist Rules;
- (m) review the adequacy of the business risk management process;
- (n) review potential conflicts of interest, if any, and ensuring procedures for resolving such conflicts are strictly adhered to;
- (o) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;
- (p) review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and
- (q) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, or by such amendments made thereto from time to time.

In addition to reviewing the effectiveness of the Group's internal audit function, the internal auditor's primary line of reporting is to the Chairman of the Audit Committee.

Apart from the above functions, the Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results or financial position. The Audit Committee is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Group. Each member of the Audit Committee will abstain from any deliberations and/or voting in respect of matters in which he is interested.

The Audit Committee has full access to the Management and also full discretion to invite any Director or key Management to attend its meetings, and has been given reasonable resources to enable it to discharge its function properly.

The Audit Committee has met with the external auditors, without the presence of Management, at least once in relation to FY2016. The Audit Committee has recommended to the Board the nomination of PKF-CAP LLP for their re-appointment as external auditors of the Company at the forthcoming annual general meeting. The Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed re-appointment of PKF-CAP LLP as the external auditors of the Company. The Audit Committee, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. No non-audit fee was paid to the external auditors during the financial year. The aggregate amount of audit fees paid to the external auditors for the financial year is \$97,000. None of the Audit Committee members were partners or directors of PKF-CAP LLP.

The Group has established a whistle-blowing policy that seeks to provide a channel for the Group's employees to raise concerns in good faith and in confidence about possible improprieties in matters of financial reporting or other matters such as possible corruption, suspected fraud and other non-compliance issues. The Audit Committee will address the issues and/or concerns raised and ensure that necessary arrangements are in place for the independent investigation of issues and/or concerns raised by the employees and for appropriate follow-up actions. Details of the whistle-blowing policies and arrangements have been made available to the Group's employees.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have direct impact on financial statements, with training conducted by professional or external consultants.

3.4. Internal Audit

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

The Board recognises the importance of maintaining an internal audit function to maintain a sound system of internal control within the Group to safeguard shareholders' investments and the Company's assets. The Audit Committee has the responsibility to review annually the adequacy and effectiveness of the internal audit function, review the internal audit program and ensure co-ordination between internal auditor, external auditor and Management, and ensure that the internal auditor carry out its function according to the standards set by nationally or internationally recognised professional bodies, in particular, the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Audit Committee will also approve the hiring, removal, evaluation and compensation of the accounting or auditing firm or corporation which the internal audit function of the Company is outsourced to.

The internal audit function of the Group has been tasked in-house and its primary line of reporting is to the Audit Committee. The objective of the internal audit function is to provide an independent review on the adequacy and effectiveness of the Group's internal controls and provide reasonable assurance to the Audit Committee on the Group's controls and governance processes. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. An annual internal audit plan which entails the review of the effectiveness of the Group's controls has been developed by the internal auditor. The Audit Committee is satisfied that the internal audit function has been adequately resourced and has the appropriate standing within the Group.

4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

4.1. Shareholders Rights and Communication with Shareholders

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.

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.

In line with the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore, it is the Board's policy to ensure that all shareholders are informed regularly and on a timely basis of every significant development that has an impact on the Group.

Pertinent information is communicated to shareholders on a regular and timely basis via SGXNET announcements and news releases. The Group also maintains a website at <http://www.acesian.com> at which shareholders can access information on the Group. The website provides, *inter alia*, corporate announcements, press releases and profiles of the Group.

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The financial results for the half year and full year are released to shareholders within 45 and 60 days of the half year end and full year end, respectively.

The Board establishes and maintains regular dialogue with its shareholders, to gather views or inputs and to address shareholders' concerns. The annual general meeting of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders of the Company will receive annual reports and are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. Save for nominee companies, any shareholder who is unable to attend is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. Nominee shareholders are allowed to appoint more than two proxies to allow for shareholders who hold shares through such nominee companies to attend and participate in the meetings of the Company as proxies.

The Company does not have a fixed policy on payment of dividends; instead the issue of the payment of dividends is deliberated seriously and at length by the Board annually having regard to various factors. Where dividends are not paid, the Company discloses the reasons. The Company did not pay any dividends in respect of FY2016 in view of the challenging operating environment.

The Company did not engage a dedicated investor relations team but has personnel to handle investor queries and deal with all matters related to investor relations. The Company will review the need for a dedicated investor relations team.

4.2. Conduct of Shareholder Meetings

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

At the annual general meeting, the shareholders of the Company will be given the opportunity to voice their views and direct to the Directors or the Management questions regarding the Company. At the Company's general meetings, each distinct issue is proposed as a separate resolution, and all resolutions will be voted on by poll.

The Chairman of each Board Committees is required to be present to address questions at the annual general meeting. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

After the annual general meeting, the Company will make an announcement of the results showing the number of votes cast for and against each resolution and the respective percentage, and will prepare minutes of the annual general meeting. Such minutes are available to shareholders upon their request.

Having undertaken a cost-benefit analysis, the Company has decided not to undertake polling by means of electronic polling at this juncture. The Company will consider the e-polling services in due course.

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

In line with Rule 1204 (19) of the Catalist Rules on Dealing in Securities, the Company issues circulars to its directors and employees, to remind them that (i) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (ii) they are required to report on their dealings in shares of the Company. The Directors and employees are also reminded of the prohibition in dealing in shares of the Company one month before the release of the half year and year end financial results and ending on the date of the announcement of the relevant results. The Company has complied with the said Rule during the financial year.

Directors and officers are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

6. MATERIAL CONTRACTS

Save as disclosed above, there was no material contract entered into by the Company or any of its subsidiary companies involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.

7. INTERESTED PERSONS TRANSACTIONS (“IPTs”)

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that transactions are conducted on an arm’s length basis that are not prejudicial to the interests of the shareholders. When a potential conflict of interest occurs, the Director concerned will be excluded from discussions and refrain from exercising any influence over other members of the Board. Besides the information disclosed below, there is no other IPTs conducted during the year, which exceeds S\$100,000 in value.

Name of Interested Person	Aggregate value of all IPTs conducted during FY2016 (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted during FY2016 under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	\$’000	\$’000
Chern Dar Enterprise Co., Ltd		
Purchases	–	2,817

The Group has obtained a General Mandate for Interested Person Transactions on 28 October 2015.

8. RISK MANAGEMENT

The Management regularly reviews the Company’s business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the Audit Committee.

9. NON-SPONSOR FEES

The Company has appointed RHT Capital Pte. Ltd. (“**RHT Capital**”) as the Company’s Continuing Sponsor with effect from 23 May 2014.

The Directors and Management of the Company would consult RHT Capital on all material matters relating to compliance with the Catalist Rules, its listing and quotation of its securities, documents to be released to shareholders and to ensure that such documents are in compliance with the Catalist Rules and proper disclosures made.

There is no non-sponsor fee paid by the Company to RHT Capital during the financial year.

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Acesian Partners Limited (the "Company") and its subsidiaries (collectively, the "Group"), and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016.

Opinion of the directors

In the opinion of the directors,

- (a) in view of the significant uncertainties of events disclosed in Note 2 to the financial statements, the directors were unable to express whether the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company 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 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Loh Yih
Wong Kok Chye
Ong Chin Lin
Yeo Meng Hin
Ho Ta-Huang

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year was interested in shares of the Company and its related corporations except as follows:

Name of corporation:	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
	Number of ordinary shares fully paid			
	At 1.1.2016	At 31.12.2016	At 1.1.2016	At 31.12.2016
Acesian Partners Limited				
Ho Ta-Huang	–	–	45,583,000	45,583,000
Ong Chin Lin	402,000	402,000	–	–
Wong Kok Chye	6,822,000	6,822,000	579,000	579,000
Loh Yih	5,459,800	31,645,202	63,380,000	47,380,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Share options

No options to take up unissued shares of the Company or of its subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Ong Chin Lin (Chairman)
Yeo Meng Hin
Ho Ta-Huang

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Audit Committee (continued)

- Reviewed the quarterly and annual financial statements and the auditor's report on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the board of directors;
- Reviewed effectiveness of the Group and the Company's key internal controls, including financial, operational and compliance controls and risk management process via reviews carried out by the internal auditor;
- Met with the external auditor, other committees, and management separately to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed any complaints received from anonymous parties including investigating the matter and reporting to the Board the outcome and action required to resolve the matter;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC confirmed that there are no non-audit services provided by the external auditor to the Group. The AC has also conducted a review of interested person transactions.

The AC convened three meetings during the year. In performing its function, the AC has also met with the internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

The Audit Committee has recommended to the Board the nomination of PKF-CAP LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Auditor

PKF-CAP LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Loh Yih
Director

Wong Kok Chye
Director

7 April 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Acesian Partners Limited

Report on the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Acesian Partners 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 31 December 2016, and the consolidated statement of 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 33 to 91.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1) Significant uncertainty

As disclosed in Note 2 to the financial statements, Acesian Star (S) Pte Ltd ("ASPL"), a wholly-owned subsidiary of the Group is in dispute with one of its major customers, Takenaka Corporation ("TC"). TC has terminated all its contracts with ASPL namely, Terminal 1 Extension at Changi Airport ("T1E Sub-contract") and the proposed development of Terminal 4 at Singapore Changi Airport ("T4 Sub-contract").

As a result, certain project and variation claims in relation to the work performed by ASPL up to the date of termination have been disputed by TC and remained unsettled as at the reporting date. In addition, TC has made a counterclaim in respect of backcharges and liquidated damages against ASPL of approximately \$10 million.

On 23 January 2017 and 3 February 2017, ASPL announced that it has served a letter informing TC that ASPL intends to refer the disputes arising from the T4 sub-contract to arbitration under the Singapore International Arbitration Centre Rules pursuant to clause 33 of the T4 sub-contract. The case is pending arbitration. Additionally on 23 January 2017, ASPL's application to be placed under Judicial Management was approved by the High Court.

The outcome of the intended arbitration as well as ASPL being placed under judicial management is uncertain. As a result, the recoverability of the assets and the completeness of liabilities of the Group as at reporting date cannot be reliably determined by the management.

Specifically, the account balances affected by the above-mentioned events are as follows:

a) *Contract work in progress*

Certain project and variation claims were not certified by the surveyor. As a result, the Group has not been able to determine the amount of revenue and cost of sales to be recognised. Furthermore, the Group has not been able to perform an impairment test on the contract work in progress of \$9,229,065 as at 31 December 2016 recorded in the books of ASPL. As a result, we are not able to assess whether the contract work in progress is impaired and if impaired, the amount of impairment to be recognised in the profit or loss.

b) *Trade and other receivables*

The Group has not been able to assess the recoverability of trade and other receivables due from TC of \$2,830,053 as recorded in the books of ASPL given the ongoing arbitration and judicial management process described above. As a result, we were not able to ascertain the extent of impairment on trade and other receivables and the impact this has on the profit or loss.

INDEPENDENT AUDITOR'S REPORT

To the Members of Acesian Partners Limited

Basis for Disclaimer of Opinion (continued)

1) Significant uncertainty (continued)

c) *Trade payables*

As disclosed in Note 2 to the financial statements, ASPL has not recognised the back charges and liquidated damages claimed by TC of approximately \$10 million in its books as at 31 December 2016. We were unable to satisfy ourselves by alternative means concerning the adequacy of the liabilities required to be recorded in the Group's consolidated financial statements.

d) *Investment in subsidiaries and Amount due from subsidiaries*

The Company has not been able to perform an impairment test on the investment in ASPL of \$7,414,358 as well as the amount due from ASPL of \$1,297,257 as recorded in its books. As a result, we were not able to assess whether the investment in ASPL as well as the amount due from ASPL are impaired and if impaired, the amount of impairment to be recognised in the profit or loss.

2) Going concern of a subsidiary

In relation to the matters described in item 1 above, the Group is presently waiting for the outcome of the intended arbitration and judicial management process before planning the next step forward.

In the event that the outcomes are unfavourable, ASPL may be unable to continue as a going concern. Additionally, adjustments may have to be made for any losses on realisation of its assets and further costs which may arise.

The financial statements do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts or the amounts and reclassification of liabilities that might be necessary should ASPL be unable to continue as a going concern.

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 Singapore Financial Reporting Standards, 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 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Acesian Partners Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Other Information

Management is responsible for 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.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred in the Basis for Disclaimer of Opinion section, we do not express an opinion on whether 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 auditor, have been properly kept in accordance with the provisions of the Act.

PKF-CAP LLP

Public Accountants and
Chartered Accountants

Singapore
7 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	The Group	
		2016 \$	2015 \$
Revenue	5	46,780,957	34,414,209
Cost of sales		(39,267,742)	(26,673,528)
Gross profit		7,513,215	7,740,681
Other operating income	6	1,301,199	1,552,200
Administrative expenses		(5,177,331)	(4,238,722)
Other operating expenses		(5,395,040)	(1,951,904)
Finance costs	7	(121,094)	(35,863)
(Loss)/Profit before taxation	8	(1,879,051)	3,066,392
Income tax expense	10	(461,837)	(492,780)
(Loss)/Profit for the year		(2,340,888)	2,573,612
Other comprehensive loss:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations, net of tax		(20,682)	(1,012,637)
Total comprehensive (loss)/income for the year, net of tax		(2,361,570)	1,560,975
(Loss)/Profit attributable to:			
Owners of the Company		(2,316,670)	2,563,143
Non-controlling interests		(24,218)	10,469
		(2,340,888)	2,573,612
Total comprehensive loss attributable to:			
Owners of the Company		(2,354,059)	1,592,431
Non-controlling interests		(7,511)	(31,456)
		(2,361,570)	(1,560,975)
(Loss)/Earnings per share attributable to owners of the Company (cents):			
- Basic	11	(0.62)	0.73
- Diluted		(0.62)	0.73

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	The Group		The Company	
		2016 \$	2015 \$	2016 \$	2015 \$
Assets					
Non-current assets					
Goodwill	12	–	1,005,637	–	–
Plant and equipment	13	1,130,236	1,238,621	45,873	40,375
Intangible assets	14	–	700,403	–	–
Investment in subsidiaries	15	–	–	7,702,921	7,732,921
Deferred tax asset	16	–	135,000	–	–
		1,130,236	3,079,661	7,748,794	7,773,296
Current assets					
Inventories	17	1,395,229	2,555,497	–	590,586
Gross amount due from customers for contract work-in-progress	18	9,229,065	3,387,664	–	26,504
Trade and other receivables	19	7,666,999	12,659,927	18,443,282	16,883,277
Prepaid operating expenses		116,695	127,609	53,356	4,158
Financial asset at fair value through profit or loss	20	–	48,550	–	–
Fixed deposits pledged	21	158,872	639,810	–	109,885
Cash and cash equivalents	22	7,343,752	9,391,439	3,971,731	5,771,636
		25,910,612	28,810,496	22,468,369	23,386,046
Total assets		27,040,848	31,890,157	30,217,163	31,159,342
Equity and liabilities					
Current liabilities					
Gross amount due to customers for contract work-in-progress	18	–	409,590	–	–
Trade and other payables	23	14,169,156	14,775,273	21,332,305	22,732,082
Income tax payable		203,330	333,485	–	–
Bank borrowings	24	–	1,070,774	–	–
Obligation under finance lease	25	95,897	116,623	–	–
		14,468,383	16,705,745	21,332,305	22,732,082

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	The Group		The Company	
		2016 \$	2015 \$	2016 \$	2015 \$
Non-current liabilities					
Deferred tax liabilities	16	109,006	163,117	–	–
Bank borrowings	24	–	55,060	–	–
Obligation under finance lease	25	54,343	149,940	–	–
		163,349	368,117	–	–
Total liabilities		14,631,732	17,073,862	21,332,305	22,732,082
Capital and reserves					
Share capital	26	18,193,154	17,580,594	18,193,154	17,580,594
Reserve	27	–	612,560	–	612,560
Accumulated losses		(4,108,322)	(1,791,652)	(9,308,296)	(9,765,894)
Foreign currency translation reserve	28	(1,730,442)	(1,693,053)	–	–
Attributable to owners of the Company		12,354,390	14,708,449	8,884,858	8,427,260
Non-controlling interests		54,726	107,846	–	–
Total equity		12,409,116	14,816,295	8,884,858	8,427,260
Total equity and liabilities		27,040,848	31,890,157	30,217,163	31,159,342

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

The Group	← Attributable to owners of the Company →						
	Share capital	Foreign currency translation reserve	Accumulated losses	Reserve	Total	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2015	17,580,594	(722,341)	(4,354,795)	–	12,503,458	139,302	12,642,760
Profit for the year	–	–	2,563,143	–	2,563,143	10,469	2,573,612
<u>Other comprehensive loss</u>							
Exchange difference on translation of foreign operations, net of tax	–	(970,712)	–	–	(970,712)	(41,925)	(1,012,637)
Total comprehensive income for the year	–	(970,712)	2,563,143	–	1,592,431	(31,456)	1,560,975
Remuneration shares (Note 27)	–	–	–	612,560	612,560	–	612,560
Balance at 31 December 2015	17,580,594	(1,693,053)	(1,791,652)	612,560	14,708,449	107,846	14,816,295
Balance at 1 January 2016	17,580,594	(1,693,053)	(1,791,652)	612,560	14,708,449	107,846	14,816,295
Loss for the year	–	–	(2,316,670)	–	(2,316,670)	(24,218)	(2,340,888)
<u>Other comprehensive loss</u>							
Exchange difference on translation of foreign operations, net of tax	–	(37,389)	–	–	(37,389)	16,707	(20,682)
Total comprehensive loss for the year	–	(37,389)	(2,316,670)	–	(2,354,059)	(7,511)	(2,361,570)
Remuneration shares (Note 27)	612,560	–	–	(612,560)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	(45,609)	(45,609)
Balance at 31 December 2016	18,193,154	(1,730,442)	(4,108,322)	–	12,354,390	54,726	12,409,116

The Company	Share capital	Accumulated losses	Reserve	Total
	\$	\$	\$	\$
Balance at 1 January 2015	17,580,594	(10,310,528)	–	7,270,066
Profit for the year representing total comprehensive income for the year	–	544,634	–	544,634
Remuneration shares (Note 27)	–	–	612,560	612,560
Balance at 31 December 2015	17,580,594	(9,765,894)	612,560	8,427,260
Balance at 1 January 2016	17,580,594	(9,765,894)	612,560	8,427,260
Profit for the year representing total comprehensive income for the year	–	457,598	–	457,598
Remuneration shares (Note 27)	612,560	–	(612,560)	–
Balance at 31 December 2016	18,193,154	(9,308,296)	–	8,884,858

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	The Group	
	2016 \$	2015 \$
Operating activities		
(Loss)/Profit before tax	(1,879,051)	3,066,392
Adjustments for:		
Allowance for impairment loss on trade receivables	622,036	12,654
Allowance for impairment loss on trade receivables written back	(76,172)	(89,205)
Amortisation of intangible assets	477,069	439,847
Bad debt recovered	(21,150)	(32,837)
Bad debt written off	22,684	–
Depreciation of plant and equipment	384,039	384,941
Fair value gain on financial asset at fair value through profit or loss	(2,948)	(4,717)
Gain on disposal of plant and equipment	(7,871)	(1,500)
Impairment loss on goodwill	1,005,637	–
Impairment loss on intangible asset	223,334	–
Impairment loss of other receivables	76,002	–
Interest expense	121,094	35,863
Interest income	(7,814)	(21,054)
(Write back)/ provision for warranty costs	(282,931)	111,501
Plant and equipment written off	1,904	–
Remuneration shares expense	–	612,560
Write down/(Write-back) for slow-moving inventories	54,898	(58,448)
Operating cash flows before changes in working capital	710,760	4,455,997
Decrease/ (Increase) in inventories	1,105,370	(932,178)
Increase in amount due from customers for contract work-in-progress	(6,250,991)	(2,439,315)
Decrease/ (Increase) in trade and other receivables	4,165,107	(4,612,769)
(Decrease)/ Increase in trade and other payables	(323,186)	6,724,464
Currency translation adjustments	(17,152)	(866,220)
Cash flows (used in)/ from operations	(610,092)	2,329,979
Interest received	7,814	21,054
Income taxes paid	(279,061)	(391,093)
Net cash flows (used in)/ from operating activities	(881,339)	1,959,940

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	The Group	
	2016 \$	2015 \$
Investing activities		
Net cash outflow on acquisition of a subsidiary (Note 15)	–	(1,647,320)
Net cash outflow from disposal of subsidiary	(45,609)	–
Proceeds from disposal of financial assets at fair value through profit or loss	51,498	–
Proceeds from disposal of plant and equipment	11,800	1,500
Purchase of plant and equipment	(295,704)	(456,713)
Net cash used in investing activities	(278,015)	(2,102,533)
Financing activities		
Decrease in fixed deposits pledged	480,938	531,346
Bank borrowings repaid	(1,125,834)	(202,289)
Repayment of finance lease, net	(116,323)	(142,726)
Interest paid	(121,094)	(35,863)
Net cash (used in)/ from financing activities	(882,313)	150,468
Net (decrease)/ increase in cash and cash equivalents	(2,041,667)	7,875
Cash and cash equivalents at the beginning of the year	9,391,439	9,383,564
Effect of exchange rate changes on cash and cash equivalents	(6,020)	–
Cash and cash equivalents at the end of the year (Note 22)	7,343,752	9,391,439

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General information

Acesian Partners Limited (the “Company”) is a limited liability company incorporated and domiciled in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and principal place of business of the Company is located at 33 Mactaggart Road, #04-00, Singapore 368082.

The principal activities of the Company consist of supply and installation of environment-control exhaust systems and investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

2(i) Significant uncertainty in relation to termination of contracts

The Company made the following announcements in relation to matters concerning the Company’s wholly-owned subsidiary – Acesian Star (S) Pte Ltd (“ASPL”):

On 25th August 2015, the Company announced that Takenaka Corporation (“TC”) has awarded a contract to ASPL to provide air conditioning mechanical ventilation system (“ACMV”) services for the proposed development at Terminal 1 Extension at Changi Airport (“T1E Sub-Contract”) at an aggregate contract amount of \$14.7 million. In addition, on 24th October 2014, the Company announced that TC appointed ASPL as its sub-contractor for the project at Terminal 4 of the Singapore Changi airport (“T4 Sub-Contract”) at an aggregate contract value of \$24.4 million.

During the current financial year, disputes arose between ASPL and TC over the specification and scope of the contract. As a result, certain project and variation claims were not certified and payments were delayed. The board made an announcement on 7 October 2016 stating that they foresee adverse financial impact or consequence on the Group’s operations if the outcome of the dispute for T4 sub-contract was unfavourable.

TC has made counterclaims against ASPL of approximately \$10 million in relation to liquidated damages and back-charges. ASPL has not recorded these counterclaims in its books at 31 December 2016 as they are of the view that the counterclaims have no basis since the counterclaims occurred only after ASPL brought TC into adjudication and demanded payment.

Subsequently, TC terminated its contracts with ASPL, namely T1E Sub-Contract and T4 Sub-Contract on 9 November 2016 and 16 November 2016 respectively. ASPL made claims for prolongation costs arising from delays and damages due to termination of the T4 sub-contract.

On 23 January 2017 and 3 February 2017, ASPL announced that it has served a letter informing TC that ASPL intends to refer the disputes arising from the T4 sub-contract to arbitration under the Singapore International Arbitration Centre Rules pursuant to clause 33 of the T4 sub-contract. The case is pending arbitration.

On 23 January 2017, ASPL’s judicial management application to the Court was heard and ASPL was placed under judicial management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2(ii) Going concern of a subsidiary

Despite the significant uncertainties relating to events described above under section 2(i), the financial statements are prepared on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts or the amounts and reclassification of liabilities that might be necessary should ASPL be unable to continue as a going concern.

3 Summary of significant accounting policies

3.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "\$"), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014, that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial period beginning on 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

3.2 New FRS and INT FRS yet to be adopted

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

	Effective for annual periods beginning on or after
● Amendments to FRS 7 <i>Disclosure Initiative</i>	1 January 2017
● Amendments to FRS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
● FRS 109 <i>Financial Instruments</i>	1 January 2018
● FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
● Amendments to FRS 115: Clarification to FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
● FRS 116 <i>Leases</i>	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.2 New FRS and INT FRS yet to be adopted (continued)

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115, Amendments to FRS 115, and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. It will change the existing accounting standards and guidance applied by the Group and the Company in accounting for financial instruments.

The Group plans to adopt the standard when it becomes effective in 2018. The Group does not expect a significant adjustment arising from the adoption of FRS 109, except for the effect of applying the impairment requirements of FRS109. The Group is gathering data to quantify the potential impact arising from its adoption.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. For the Group, a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

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 management has yet to complete its detailed assessment. The Group plans to adopt the new standard on the required effective date.

Clarification to FRS 115 *Revenue from Contracts with Customers*

The amendments clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, FRS 115, i.e. on 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.2 New FRS and INT FRS yet to be adopted (continued)

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

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 entity's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the above new FRS 116.

3.3 Basis of consolidation and business combinations

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation and business combinations (continued)

b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

3.4 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and 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 interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3.6 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of intangible assets is recognised in profit or loss.

Intangible assets with finite useful lives are amortised over the estimated useful lives of 1 to 4 years using straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method are reviewed at least once at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.7 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed using the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Furniture and fittings	3 - 10 years
Plant and machinery	3 - 10 years
Renovation	10 years
Motor vehicles	5 years
Computers and office equipment	2 - 10 years

The cost of plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration costs is also included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

The carrying amounts of plant and equipment are reviewed yearly in order to assess whether their carrying amounts need to be written down to recoverable amounts. Recoverable amount is defined as the higher of value in use and fair value less cost to sell.

The residual value, useful life and depreciation method are reviewed at each reporting date, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

3.8 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.9 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is controlled or jointly controlled by a person identified in (a);
 - (vi) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). Directors and certain managers that have the authority and responsibility for planning, directing and controlling the activities of the entity are considered key management personnel.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and apportioned manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, damaged, obsolete and slow-moving items are written down to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.11 Amount due from/(to) customers for contract work-in-progress

Contract revenue and contract costs from engineering services are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers.

The stage of completion is determined by surveys of work performed.

At the end of the reporting period, the aggregated costs incurred plus recognised profit (less recognised losses) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as gross amount due from customers on contract work-in-progress on the face of statements of financial position. Where progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is presented as gross amount due to customers on contract work-in-progress on the face of the statements of financial position.

3.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.12 Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.13 Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

i) *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any exchange differences, interest and dividend income, are recognised in profit or loss.

Financial assets classified as held for trading comprise equity securities actively managed by the Group to address short-term liquidity needs. Financial assets designated at fair value through profit or loss comprise quoted investment that otherwise would have been classified as available-for-sale.

3 Summary of significant accounting policies (continued)

3.13 Financial instruments (continued)

a) Financial assets (continued)

Subsequent measurement (continued)

ii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables comprise trade and other receivables, fixed deposit pledged and cash and cash equivalents.

Cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Other financial liabilities comprise trade and other payables, bank borrowings, and obligation under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.13 Financial instruments (continued)

b) Financial liabilities (continued)

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting Arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

3.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.14 Impairment of financial assets (continued)

If in a subsequent period, the amount of the 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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases. Assets held under finance lease are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. For operating leases, operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3.16 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee are initially recognised at their fair value plus transaction costs in the Company's statement of financial position.

Financial guarantee are subsequently amortised to the profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee shall be carried at the expected amount payable to the banks in the Company's statement of financial position.

3.17 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 the amount of the obligation can be made estimated reliably.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.17 Provisions (continued)

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.

3.18 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3.19 Employee benefits

a) *Defined contribution plans*

The Company and the Group contribute to the Central Provident Fund (“CPF”) or equivalent fund, a defined contribution plan regulated and managed by the Government of Singapore or other authorities, which applies to the majority of the employees. The Company’s and the Group’s contributions to CPF or equivalent are recognised to the profit or loss in the period to which the contributions relate.

b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

c) *Share-based compensation benefits*

The remuneration shares are accounted for as equity-settled share-based payments, which are measured at fair value at the date of grant. The share-based expense is recognised in profit or loss with a corresponding entry to reserve based on the number of shares granted that vest upon the satisfaction of the vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share reserve. After vesting date, no subsequent adjustment is made.

The dilutive effects of the remuneration share are reflected as additional share dilution in the computation of diluted earnings per share (Note 11).

3.20 Income taxes

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 financial 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 financial 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 in countries where the Company and subsidiaries operate by the end of the reporting period.

3 Summary of significant accounting policies (continued)

3.20 Income taxes (continued)

Deferred tax is recognised on 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. 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 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.

3.21 Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:-

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Manufacturing revenue

Manufacturing revenue relates to revenue generated from the manufacture, supply and installation of Ethylene Tetrafluoroethylene ("ETFE") coated ducts, uncoated stainless steel ducts and galvanised ducts which will be integrated with third-party equipment such as fume-hoods, scrubbers and fans for a complete environment-control system.

Manufacturing revenue is recognised in the period when goods are delivered, installed and customers accepted the products.

(b) Engineering services revenue

Revenue from engineering services is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to survey of work performed.

(c) Distribution and services revenue

Distribution and services revenue relates to distribution of the air-flow systems and Individual Ventilated Cages. Distribution and services revenue is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Other service income

Other service income is recognised as revenue in the period in which the services are rendered which are normally within short duration.

3.23 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

3.24 Contingencies

A contingent liability is:-

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

3 Summary of significant accounting policies (continued)

3.24 Contingencies (continued)

- (b) a present obligation that arises from past events but is not recognised because:-
- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

4 Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

4.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management is of the view that there are no critical judgements involved that have a significant effect on the accounts recognised in the financial statements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4 Significant accounting judgements and estimates (continued)

4.2 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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group.

a) Impairment of goodwill arising from acquisition of a subsidiary

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate to calculate the present value of those cash flows. Further details on the key assumptions applied in the impairment assessment of goodwill are described in Note 12 to the financial statements.

b) Amortisation and impairment of intangible assets

Intangible assets are those related to the BCA L6 licence and customer contracts with finite useful lives. The Group assesses whether there are any indicators of impairment of intangible assets at each reporting date and they are tested for impairment when such indicator exists. When the value-in-use calculations are undertaken, the management estimates the expected future cash flows from the asset and choose a suitable discount rate to calculate the net present value of those cash flows. The key assumptions applied in the determination of the value in use and the carrying amount of the Group's intangible assets as at 31 December 2016 is disclosed in Note 14 to the financial statements.

c) Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 2 to 10 years. The carrying amounts of the Group's and the Company's plant and equipment as at 31 December 2016 are disclosed in Note 13 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of the plant and equipment differ by 10% from management's estimate, the Group and Company's carrying amount of the property, plant and equipment will be approximately higher/lower by \$38,494 (2015: \$38,494) and \$4,032 (2015: \$5,321) respectively

d) Impairment of plant and equipment

The Group assesses whether there are any indicators of impairment of plant and equipment at each reporting date and they are tested for impairment when such indicator exists. When the value-in-use calculations are carried out, the management estimates the expected future cash flows from the asset and choose a suitable discount rate to calculate the net present value of those cash flows.

The carrying amounts of the Group's and the Company's plant and equipment as at 31 December 2016 are disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4 Significant accounting judgements and estimates (continued)

4.2 Key sources of estimation uncertainty (continued)

e) Impairment of investments in subsidiaries

The recoverable amounts of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the carrying amounts of the investments are determined on the basis of the net recoverable amounts to determine the extent of the impairment loss. As at reporting date, due to events as described in Note 2, the management was unable to perform impairment test on the investment in ASPL.

f) Revenue and cost of sales recognition

The Group has recognised revenue generated from contracts and corresponding cost of sales by using the percentage of completion method which is measured by reference to survey of work performed. Due to events described in Note 2 to the financial statements, certain project and variation claims were not certified and as such, the Group was not able to determine the amount of revenue and cost of sales to be recognised. The Group also has not been able to estimate the total contract cost reliably due to counterclaims made by TC which the Group is disputing.

g) Allowance for slow-moving and obsolete inventories

The Group carried out a review of inventories to determine the allowance for slow-moving inventories and whether inventories are stated at the lower of cost and net realisable value. The Group's allowances for inventories as at 31 December 2016 are disclosed in Note 17.

h) Allowance for impairment loss on receivables

The Group determines the impairment of receivables which represents management's best estimate of receivables that will be uncollectible. This estimate is based on the credit history of the debtors, past default experience and the current market condition. Management reassesses the estimation at each reporting date. The Group provides for allowance for impairment on trade and other receivables mainly based on the collectability of the individual receivables at the end of the year. The allowance for impairment loss on trade and other receivables as at 31 December 2016 amounted to \$2,438,988 (2015: \$1,974,595) (Note 32.1(iii)).

i) Provision for warranty costs

A provision is recognised for expected warranty claims on construction projects completed during the year, based on past experience of the level of claims made by the customers.

The provision for warranty costs represents management's best estimate of the Group's liability for additional costs to be incurred for the completed projects within warranty periods granted. The amount of provision for warranty costs as at 31 December 2016 amounted to \$19,189 (2015: \$302,120) (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5 Revenue

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax, are detailed as follows:

	The Group	
	2016	2015
	\$	\$
Engineering services	26,846,304	21,925,517
Manufacturing	18,779,472	11,213,034
Distribution and services	1,155,181	1,275,658
	46,780,957	34,414,209

6 Other operating income

	The Group	
	2016	2015
	\$	\$
Foreign exchange gain	128,603	924,963
Grant received from government	263,196	179,738
Interest income	7,814	21,054
Other service income	506,757	415,562
Write-back of provision for warranty	282,931	4,667
Other income	111,898	6,216
	1,301,199	1,552,200

7 Finance costs

	The Group	
	2016	2015
	\$	\$
Interest expense on:		
Bank borrowings	106,659	20,417
Finance lease	14,435	15,446
	121,094	35,863

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8 (Loss)/ Profit before taxation

	The Group	
	2016	2015
	\$	\$
The following items have been included in arriving at (loss)/ profit before tax:		
Audit fees paid to the auditors of the Company	97,000	119,000
Audit fees paid to other auditors	6,680	8,679
Allowance for impairment on trade receivables	622,036	12,654
Allowance for impairment on other receivables	76,002	–
Allowance for impairment loss on trade receivables written back	(76,172)	(89,205)
Amortisation of intangible assets	477,069	439,847
Bad debt recovered	(21,150)	(32,837)
Bad debt written off	22,684	–
Gain on disposal of plant and equipment	(7,871)	(1,500)
Call on performance bond	1,221,856	–
Depreciation of plant and equipment (Note 13)	384,039	384,941
Directors' fees	94,000	94,000
Employee benefits expense (Note 9)	6,583,181	6,157,218
Fair value gain on financial asset at fair value through profit or loss	(2,948)	(4,717)
Impairment loss on goodwill (Note 12)	1,005,637	–
Impairment loss on intangible asset (Note 14)	223,334	–
Operating lease rentals	870,086	627,625
(Write back)/ provision for warranty costs	(282,931)	116,168
Write down/ (write-back) of allowance for slow-moving inventories	54,898	(58,448)
Professional and legal fees	893,648	246,435
Write off of plant and equipment	1,904	–

9 Employee benefits expense

	The Group	
	2016	2015
	\$	\$
Employee benefits expense (including directors):		
Salaries and related costs	6,105,551	5,197,769
Contributions to defined contribution plans	477,630	346,889
Remuneration shares (Note 27)	–	612,560
	6,583,181	6,157,218

The above amounts include employee benefits paid to directors of the Company (Note 29(b)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10 Income tax expense

	The Group	
	2016	2015
	\$	\$
Current income tax		
- Current income taxation	420,556	360,552
- Over provision in respect of prior years	(41,160)	(22,241)
	379,396	338,311
Deferred income tax (Note 16)		
- Origination and reversal of temporary differences	(52,559)	122,856
- Over provision in respect of prior years	135,000	31,613
	82,441	154,469
Income tax expense recognised in profit of loss	461,837	492,780

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Group's profit as a result of the following:

	The Group	
	2016	2015
	\$	\$
(Loss)/ Profit before taxation	(1,879,051)	3,066,392
Tax at Singapore statutory income tax rate of 17% (2015:17%)	(319,439)	521,286
Effect of different tax rates of overseas operations	91,130	117,677
Non-deductible expenses	70,963	77,857
Income not subject to taxation	(75,989)	(28,034)
Tax effect of partial tax exemption and tax relief	(18,203)	(51,850)
Tax rebate	(8,677)	(34,038)
Tax incentives	(8,679)	-
Special enhanced allowance	-	(31,253)
Utilisation of deferred tax assets previously not recognised	(32,317)	(111,171)
Deferred tax assets not recognised	669,711	-
Overprovision of current tax in prior years	(41,160)	(22,241)
Overprovision of deferred tax in prior years	135,000	31,613
Others	(503)	22,934
	461,837	492,780

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10 Income tax expense (continued)

As at reporting date, the Company and its Singapore subsidiaries have unutilised tax losses of approximately \$4,881,000 (2015: \$1,288,000), unabsorbed capital allowance of \$128,000 (2015: \$Nil), as well as other deductible temporary differences totalling \$1,930,000 (2015: \$1,761,000) which are available for offset against future taxable profits for which no deferred tax assets are recognised due to unpredictability of the future profit streams to be generated by the Company and the Group in the foreseeable future. The deferred tax assets not recognised at reporting date totalled approximately \$1,180,000 (2015: \$520,000).

The utilisation of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with the provisions of the tax legislation of the respective countries in which the companies operate.

Deductible temporary differences relate mainly to allowance on merger and acquisition, plant and equipment and write down for inventory obsolescence.

11 (Loss)/ Earnings per share

The basic and diluted (loss)/ earnings per share are calculated by dividing the (loss)/ profit for the year attributable to owners of the Company by the weighted average number of ordinary shares. These (loss)/ profit and shares data are presented in the tables below:

	The Group	
	2016	2015
	\$	\$
Basic earnings per share is based on:		
Net (loss)/ profit attributable to ordinary shareholders	(2,316,670)	2,563,143
	Number of shares	
	2016	2015
Ordinary shares at 1 January	348,783,140	348,783,140
Effect of remuneration shares vested	24,502,402	–
Weighted average number of ordinary shares during the year	373,285,542	348,783,140
(Loss)/ Earnings per share (cents)	(0.62)	0.73

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11 (Loss)/ Earnings per share (continued)

	The Group	
	2016	2015
	\$	\$
Diluted earnings per share is based on:		
Net (loss)/ profit attributable to ordinary shareholders	(2,316,670)	2,563,143
Number of shares		
	2016	2015
<i>Weighted average number of:</i>		
Ordinary shares used in the calculation of basic earnings per share	373,285,542	348,783,140
<i>Potential ordinary shares issuable under:</i>		
Remuneration shares*	–	67,130
Weighted average number of ordinary issued and potential shares issuable assuming full conversion during the year	373,285,542	348,850,270
(Loss)/ Earnings per share (cents)	(0.62)	0.73

* For the purpose of calculating the diluted earnings per share, the weighted average number of ordinary shares in issue was adjusted to take into account the dilutive effect arising from the outstanding remuneration shares that would be issued assuming the prescribed performance targets were met at the end of the reporting period.

12 Goodwill

	The Group	
	2016	2015
	\$	\$
At cost		
Balance at beginning of the year	2,296,737	1,291,100
Acquisition of a subsidiary (Note 15)	–	1,005,637
Balance at end of the year	2,296,737	2,296,737
Less: Accumulated impairment loss	(2,296,737)	(1,291,100)
Carrying amount	–	1,005,637

The goodwill represents the excess of the cost of acquisition over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12 Goodwill (continued)

Impairment testing for goodwill

The Group's subsidiary, Acesian Star (S) Pte. Ltd. ("ASPL") previously acquired a 100% equity interest in Active Building Technologies Pte. Ltd. ("ABT") in 2015 and recognised goodwill of \$1,005,637 upon acquisition.

Based on impairment assessment performed by management at reporting date, the carrying amount of the goodwill was determined to be higher than the recoverable amount at reporting date and as a result, impairment loss amounting to \$1,005,637 was recognised in profit or loss. The recoverable amount was determined based on value in use, calculated using discounted cash flows from ABT's operations. The discounted cash flows is prepared using management's budgets with forecasted revenue growth.

The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flows for the three-year period and beyond is as follows:

	2016	2015
Budgeted gross margin	- %	17%
Pre-tax discount rate	11%	11%

The value-in-use calculation for the CGU is most sensitive to the following assumptions:

Budgeted gross margin – Gross margin is based on past history records. The gross margin used in the projected cash flow is constant as a result of market competition.

Pre-tax discount rate – Discount rates represent the current market assessment of the risk specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The cost of equity is derived from the expected return on investment by the Group's investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13 Plant and equipment

<u>The Group</u>	<u>Furniture and fittings</u>	<u>Plant and machinery</u>	<u>Renovation</u>	<u>Motor vehicles</u>	<u>Computers and office equipment</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
<u>Cost</u>						
At 1.1.2015	177,279	7,201,716	328,906	314,242	531,543	8,553,686
Additions	11,390	264,771	99,827	113,600	49,125	538,713
Acquisition of a subsidiary (Note 15)	1,209	293	–	–	16,457	17,959
Disposals	–	(4,050)	–	(60,000)	–	(64,050)
Foreign exchange difference	(3,269)	(309,753)	(17,530)	(4,504)	(3,294)	(338,350)
At 31.12.2015	186,609	7,152,977	411,203	363,338	593,831	8,707,958
Additions	25,488	162,322	53,407	–	54,487	295,704
Disposals	–	(90,000)	–	–	(4,812)	(94,812)
Write off	–	(1,904)	–	–	–	(1,904)
Foreign exchange difference	(1,069)	(46,041)	(2,767)	(1,719)	(919)	(52,515)
At 31.12.2016	211,028	7,177,354	461,843	361,619	642,587	8,854,431
<u>Accumulated depreciation</u>						
At 1.1.2015	176,819	6,263,252	303,501	182,452	454,711	7,380,735
Depreciation for the year	4,650	267,418	19,819	46,608	46,446	384,941
Disposals	–	(4,050)	–	(60,000)	–	(64,050)
Foreign exchange difference	(2,429)	(206,897)	(16,068)	(4,505)	(2,390)	(232,289)
At 31.12.2015	179,040	6,319,723	307,252	164,555	498,767	7,469,337
Depreciation for the year	12,551	233,354	31,555	45,018	61,561	384,039
Disposals	–	(90,000)	–	–	(883)	(90,883)
Foreign exchange difference	(445)	(34,481)	(2,324)	(623)	(425)	(38,298)
At 31.12.2016	191,146	6,428,596	336,483	208,950	559,020	7,724,195
<u>Net carrying amount</u>						
At 31.12.2015	7,569	833,254	103,951	198,783	95,064	1,238,621
At 31.12.2016	19,882	748,758	125,360	152,669	83,567	1,130,236

During the year, the Group acquired asset through finance lease amounting to S\$Nil (2015: S\$82,000). The net carrying amount of asset acquired under finance lease (Note 25) at the reporting date amounted to S\$480,274 (2015: \$582,053).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13 Plant and equipment (continued)

<u>The Company</u>	Furniture and fittings \$	Plant and machinery \$	Renovation \$	Motor vehicles \$	Computers and office equipment \$	Total \$
<u>Cost</u>						
At 1.1.2015	28,580	1,379,355	97,457	73,616	200,363	1,779,371
Additions	4,800	5,400	–	–	6,550	16,750
Disposal	–	(4,050)	–	–	–	(4,050)
At 31.12.2015	33,380	1,380,705	97,457	73,616	206,913	1,792,071
Additions	–	25,000	10,557	–	10,243	45,800
Disposal	–	(90,000)	–	–	–	(90,000)
At 31.12.2016	33,380	1,315,705	108,014	73,616	217,156	1,747,871
<u>Accumulated depreciation</u>						
At 1.1.2015	28,580	1,334,729	97,322	56,443	185,454	1,702,528
Depreciation for the year	1,600	36,914	135	4,294	10,275	53,218
Disposal	–	(4,050)	–	–	–	(4,050)
At 31.12.2015	30,180	1,367,593	97,457	60,737	195,729	1,751,696
Depreciation for the year	1,600	19,646	3,520	4,294	11,242	40,302
Disposal	–	(90,000)	–	–	–	(90,000)
At 31.12.2016	31,780	1,297,239	100,977	65,031	206,971	1,701,998
<u>Net carrying amount</u>						
At 31.12.2015	3,200	13,112	–	12,879	11,184	40,375
At 31.12.2016	1,600	18,466	7,037	8,585	10,185	45,873

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

14 Intangible assets

<u>The Group</u>	BCA L6 licence	Customer contracts	Total
	\$	\$	\$
<u>Cost</u>			
Balance at 1.1.2015	3,221,000	–	3,221,000
Acquisition of a subsidiary (Note 15)	–	335,000	335,000
Balance at 31.12.2015 and 31.12.2016	3,221,000	335,000	3,556,000
<u>Accumulated amortisation and impairment</u>			
Balance at 1.1.2015	2,415,750	–	2,415,750
Amortisation for the year	402,625	37,222	439,847
Balance at 31.12.2015	2,818,375	37,222	2,855,597
Balance at 1.1.2016	2,818,375	37,222	2,855,597
Amortisation for the year	402,625	74,444	477,069
Impairment loss for the year	–	223,334	223,334
Balance at 31.12.2016	3,221,000	335,000	3,556,000
<u>Net carrying amount</u>			
At 31.12.2015	402,625	297,778	700,403
At 31.12.2016	–	–	–

Intangible assets relate to BCA L6 licence and customer contracts arising from acquisition of a subsidiary. During the current financial year, the BCA L6 licence was renewed for a period of 3 years.

The amortisation charge is recognised in other operating expenses in profit or loss.

Impairment testing for cash-generating unit containing customer contracts cost

The Group's subsidiary, Acesian Star (S) Pte. Ltd. ("ASPL") previously acquired a 100% equity interest in Active Building Technologies Pte. Ltd. ("ABT") in 2015 and recognised intangible assets relating to customer contracts of \$335,000 upon acquisition.

During the year, the Group carried out a review of the recoverable amount of its intangible assets and the carrying amount of the intangible assets was determined to be higher than the recoverable amount. Due to the deterioration in operating results of ABT, an impairment loss of \$223,334 was recognised in profit or loss. The recoverable amount was determined based on value in use, calculated using discounted cash flows from ABT's operations. The discounted cash flows is prepared using management's budgets with forecasted revenue growth. The discount rate applied to the cash flow projections is 11%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15 Investment in subsidiaries

	The Company	
	2016	2015
	\$	\$
Unquoted equity investments, at cost	17,338,012	17,368,012
Allowance for impairment losses	(9,635,091)	(9,635,091)
	7,702,921	7,732,921

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation/ Place of business	Cost of investment		Percentage of equity held		Principal activities
		2016	2015	2016	2015	
		\$	\$	\$	\$	
<i>Held by the Company</i>						
Acesian Engineering (M) Sdn. Bhd. ⁽¹⁾	Malaysia	268,563	268,563	100%	100%	Manufacture of air related ducts and accessories.
Acesian Engineering Pte. Ltd. ⁽²⁾	Singapore	130,880	130,880	100%	100%	Fabrication of galvanised steel-ducts.
Acesian Technologies Pte Ltd ⁽²⁾	Singapore	500,000	500,000	100%	100%	Mechanical engineering works including design installation, testing and commission and maintenance of airflow control systems, provide laboratory equipping, decontamination, indoor air quality evaluation and certification.
Linair Technologies (Suzhou) Co., Ltd. ⁽³⁾	People's Republic of China	8,253,461	8,253,461	100%	100%	In liquidation.
Shanghai XianDa Industry Equipment Installation Co., Ltd ⁽³⁾	People's Republic of China	750,750	750,750	70%	70%	Dormant.
RYB Dynamics Pte Ltd ⁽³⁾	Singapore	–	50,000	–	50%	Strike off during the year.
Acesian Sun Pte. Ltd. ⁽⁴⁾	Singapore	10,000	–	100%	–	General contractors for air-conditioning.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15 Investment in subsidiaries (continued)

Name of subsidiary	Country of incorporation/ Place of business	Cost of investment		Percentage of equity held		Principal activities
		2016	2015	2016	2015	
		\$	\$	\$	\$	
<i>Held by the Company (continued)</i>						
Acesian Systems Pte. Ltd. ⁽⁴⁾	Singapore	10,000	–	100%	–	General contractors for infocomm technologies.
Acesian Star (S) Pte. Ltd. ⁽²⁾ (Under Judicial Management)	Singapore	7,414,358	7,414,358	100%	100%	General contractors for building construction, pumping and air-conditioning.
		17,338,012	17,368,012			
<i>Held through Acesian Star (S) Pte. Ltd.</i>						
Active Building Technologies Pte Ltd ⁽²⁾	Singapore	1,900,000	1,900,000	100%	100%	Provision of dormitory maintenance services, air-conditioning and ventilation works, general building construction services and mechanical electrical works.

(1) Audited by PKF Malaysia

(2) Audited by PKF-CAP LLP, Singapore

(3) Reviewed by PKF-CAP LLP, Singapore for consolidation purposes

(4) Not audited as deemed not material to the Group

The movement of allowance for impairment losses is as follows:

	The Company	
	2016	2015
	\$	\$
Balance at beginning and end of the year	9,635,091	9,635,091

Incorporation of subsidiaries

During the financial year, the Company incorporated two subsidiaries, Acesian Sun Pte. Ltd. and Acesian Systems Pte. Ltd., with an authorised and paid-up capital of \$10,000 each.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15 Investment in subsidiaries (continued)

Impairment of investment in subsidiaries

In prior years' impairment loss of \$9,635,091 was recognised to write down the carrying amount of the investments to their recoverable amount. Due to events as mentioned in Note 2, management was unable to perform impairment test on its investment in ASPL.

Non-controlling interests ("NCI")

The Group has no subsidiaries that have NCI that are considered material to the Group.

Acquisition of a subsidiary

On 1 July 2015, the Company's subsidiary company, Acesian Star (S) Pte. Ltd. ("ASPL") acquired 100% equity interest in Active Building Technologies Pte. Ltd. ("ABT"), a general contractor and engineering company in Singapore. Upon the acquisition, ABT became a subsidiary of the Group.

The fair value of the identifiable assets and liabilities of ABT as at the acquisition date were:

	Fair value recognised on acquisition
	\$
Plant and equipment (Note 13)	17,959
Intangible assets (Note 14)	335,000
Trade and other receivables	1,260,004
Cash and cash equivalents	252,680
	<u>1,865,643</u>
Trade payables	<u>971,280</u>
Total identifiable net assets at fair value	894,363
Purchase consideration paid in cash	1,900,000
Goodwill arising from acquisition (Note 12)	<u>1,005,637</u>

Effect of the acquisition of ABT on cash flows

	\$
Total consideration for 100% equity interest acquired settled in cash	1,900,000
Less: cash and cash equivalents of subsidiary acquired	<u>(252,680)</u>
Net cash outflow on acquisition	<u>1,647,320</u>

Transaction costs

Transaction costs of \$15,472 related to the acquisition have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15 Investment in subsidiaries (continued)

Goodwill arising from acquisition

The goodwill of \$1,005,637 arising from the acquisition is attributable mainly to the potential synergies expected to be achieved from integrating the investee into the Group's existing business which was recognised as an intangible asset under FRS 38.

Impact of the acquisition on profit or loss

Subsequent to the acquisition, ABT has contributed \$4,070,892 of revenue and \$646,894 to the Group's profit before tax in the previous financial year. If the business combination had taken place at the beginning of the previous financial year, the revenue from continuing operations contributed by ABT for the previous financial year would have been \$5,245,836 and the contribution to Group's profit from continuing operations, net of tax would have been \$640,882

Impairment of investment in Active Building Technologies Pte Ltd

As at 31 December 2016, management carried out a review of the recoverable amount of the investment in Active Building Technologies Pte Ltd ("ABT"). As ABT had suffered operating losses, an impairment loss of \$1,900,000 (2015: \$Nil) was recognised.

16 Deferred tax assets and liabilities

	The Group	
	2016 \$	2015 \$
Deferred tax asset	–	135,000
Deferred tax liabilities	(109,006)	(163,117)
	(109,006)	(28,117)
The movements of deferred tax are as follows:		
Balance at beginning of the year	(28,117)	112,704
Adjustment to profit or loss (Note 10)	(82,441)	(154,469)
Exchange differences	1,552	13,648
Balance at end of the year	(109,006)	(28,117)
The deferred tax asset and liabilities are attributable to the followings:		
Unabsorbed tax losses	–	135,000
Excess of net carrying amount over tax written down value of plant and equipment	(69,407)	(57,996)
Other taxable temporary differences	(39,599)	(105,121)
	(109,006)	(28,117)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17 Inventories

	The Group		The Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Raw materials	883,980	1,079,142	–	–
Work-in-progress	29,849	370,009	–	–
Finished goods	472,174	604,255	–	89,710
Goods in transit	9,226	502,091	–	500,876
	1,395,229	2,555,497	–	590,586

The cost of inventories recognised as an expense and included in “Cost of sales” in the profit or loss amounted to \$12,061,970 (2015: \$7,031,578).

The Group and the Company have recognised a reversal of write down of inventory of \$10,190 (2015: \$58,448) and \$27,627 (2015: \$Nil) respectively as the inventories were sold above the carrying amount.

18 Gross amount due from/ (to) customers for contract work-in-progress

	The Group		The Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Aggregate costs incurred to date	34,842,181	39,739,556	–	411,843
Attributable profit recognised to date	48,041	2,214,721	–	124,661
	34,890,222	41,954,277		536,504
Progress billings	(25,661,157)	(38,976,203)	–	(510,000)
Gross amount due from customers for contract work-in-progress	9,229,065	2,978,074	–	26,504
Gross amount due from customers for contract work-in-progress	9,229,065	3,387,664	–	26,504
Gross amount due to customers for contract work-in-progress	–	(409,590)	–	–
	9,229,065	2,978,074	–	26,504
Retention sums receivable on construction contracts (Note 19)	2,101,680	2,188,766	–	28,489

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19 Trade and other receivables

	The Group		The Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Trade receivables				
- Third parties	6,957,283	10,764,179	388,474	3,237,561
- Subsidiaries	–	–	740,644	739,341
	6,957,283	10,764,179	1,129,118	3,976,902
Allowance for impairment loss (trade) (Note 32.1 (iii))	(2,438,988)	(1,974,595)	(1,066,709)	(1,075,043)
Trade receivables, net	4,518,295	8,789,584	62,409	2,901,859
Amount owing by subsidiaries, non-trade	–	–	21,662,770	17,176,941
Deposits	235,534	875,553	39,484	97,208
Interest receivable	891	446	–	–
Retention sums receivable (Note 18)	2,101,680	2,188,766	–	28,489
Other receivables	810,599	805,578	226,804	226,965
Allowance for impairment loss (non- trade) (Note 32.1 (iii))	–	–	(3,548,185)	(3,548,185)
Total trade and other receivables	7,666,999	12,659,927	18,443,282	16,883,277

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amount owing by subsidiaries are unsecured, interest-free and repayable on demand.

The trade and other receivables denominated in foreign currencies at reporting date are as follows:

	The Group		The Company	
	2016 \$	2015 \$	2016 \$	2015 \$
United States Dollars	16,261	337,260	–	337,260
Malaysia Ringgit	146,755	181,331	–	181,331

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20 Financial asset at fair value through profit or loss

	The Group	
	2016	2015
	\$	\$
<u>Quoted investment, at market value</u>		
Balance at beginning of the year	48,550	43,833
Fair value gain	2,948	4,717
Disposal during the year	(51,498)	–
Balance at end of the year	–	48,550

21 Fixed deposits pledged

The Company

The fixed deposits earn interest at the rates of 0.25% (2015: 0.25%) per annum and had been pledged to a bank for banking facilities granted to a subsidiary (Note 31). The pledge were released upon completion of the project.

The Group

The fixed deposits earn interest at the rates of 0.05% - 3.3% (2015: 0.1% - 3.3%) per annum and have been pledged to various banks for banking facilities granted to the Group (Note 31).

Fixed deposits pledged denominated in foreign currencies at reporting date are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Malaysia Ringgit	54,054	53,843	–	–

22 Cash and cash equivalents

	The Group		The Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Fixed deposits	444,142	1,630,588	224,516	538,831
Cash and bank balances	6,899,610	7,760,851	3,747,215	5,232,805
	7,343,752	9,391,439	3,971,731	5,771,636

The fixed deposits and bank balances earn interest at the rates of 0.1% to 0.625% (2015: 0.1% - 0.750%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22 Cash and cash equivalents (continued)

Cash and cash equivalents denominated in foreign currencies at reporting date are as follows:

	The Group		The Company	
	2016 \$	2015 \$	2016 \$	2015 \$
United States dollars	101,784	5,444,326	15,549	5,285,499
Malaysia Ringgit	250,837	226,954	–	–
Chinese Yuan	145,351	201,625	–	–

23 Trade and other payables

	The Group		The Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Trade payables	9,466,622	8,557,369	71,450	593,795
Retention sums payable	1,173,873	1,525,873	41,438	42,801
Amount owing to a related party, trade	113,266	2,382,779	–	1,972,939
Amount owing to subsidiaries, trade	–	–	19,054,926	18,102,644
Amount owing to subsidiaries, non-trade	–	–	1,735,745	1,647,853
Accruals – directors' fees	123,400	100,000	123,400	100,000
Accrued operating expenses	1,841,157	1,783,484	261,693	252,861
Provision for legal fees	100,000	–	–	–
Other payables	1,233,765	123,648	24,464	–
	14,052,083	14,473,153	21,313,116	22,712,893
Provision for warranty costs	19,189	302,120	19,189	19,189
Advance payments received	97,884	–	–	–
	14,169,156	14,775,273	21,332,305	22,732,082

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

The non-trade amount owing to subsidiaries are interest free, unsecured, repayable on demand and are to be settled in cash.

Other payables include an amount of \$939,000 (2015: \$Nil) payable to a customer based on the adjudication review determination made pursuant to Building and Construction Industry Security of Payment Act which reduced the amount of award in favour of a subsidiary of the Group that was determined in an earlier adjudication for which the customer had made full payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23 Trade and other payables (continued)

Provision for warranty costs represents management's best estimate of the Group's liability for additional costs to be incurred for the completed projects within the warranty periods granted on such completed projects.

The movement of the provision for warranty costs is as follows:

	The Group		The Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Balance at beginning of the year	302,120	190,619	19,189	4,667
Provision made for the year	–	116,168	–	19,189
Reversal in the year	(282,931)	(4,667)	–	(4,667)
Balance at end of the year	19,189	302,120	19,189	19,189

Trade and other payables denominated in foreign currencies at reporting date are as follows:

	The Group		The Company	
	2016 \$	2015 \$	2016 \$	2015 \$
United States dollars	139,150	351,053	–	351,053
Malaysia Ringgit	458,894	–	–	–
Chinese Yuan	36,644	–	–	–
Taiwan dollars	125,140	2,427,610	–	1,983,054

24 Bank borrowings

	The Group	
	2016 \$	2015 \$
Current:		
Term loan	–	213,169
Trust receipts	–	857,605
	–	1,070,774
Non-current:		
Term loan	–	55,060
Total bank borrowings	–	1,125,834

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24 Bank borrowings (continued)

The term loan is repayable in 48 monthly instalments of \$18,514 and bears fixed interest rate of 5.25% (2015: 5.25%) per annum. It is secured by a subsidiary's fixed deposit of \$Nil (2015: \$619,442) and corporate guarantee of the Company. The term loan has been fully repaid during the financial year.

The trust receipts bear interest rate of 5.50% (2015: 5.50%) per annum and are secured by fixed deposits, a charge over contract proceeds in respect of a project of a subsidiary, a first floating charge over the receivables of the subsidiary arising from the project with a particular customer and by corporate guarantee of the Company. The trust receipts have been fully settled during the year.

25 Obligation under finance lease

	The Group	
	2016	2015
	\$	\$
Minimum lease payments:		
Repayable within one year	106,676	129,462
Repayable between two to five years	63,816	159,539
Repayable after five years	–	12,263
	170,492	301,264
Less: Future finance charges	(20,252)	(34,701)
Present value of finance lease liabilities	150,240	266,563

The Group leases certain plant and machinery from non-related parties under finance lease. The present value of finance lease liabilities is analysed below as follows:

Current:		
Repayable within one year	95,897	116,623
Non-current:		
Repayable between two to five years	54,343	139,746
Repayable after five years	–	10,194
	54,343	149,940
	150,240	266,563

The obligation under finance lease denominated in foreign currencies at reporting date are as follows:

	The Group	
	2016	2015
	\$	\$
Malaysia Ringgit	56,483	134,539

The weighted average effective interest rate of finance lease at the balance sheet date is 5.69% (2015: 5.69%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26 Share capital

	The Group and Company	
	2016	2015
	\$	\$
Issued and fully paid:		
373,285,542 ordinary shares (2015: 348,783,140) (Note 11)	18,193,154	17,580,594

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share without restriction. The ordinary shares have no par value.

27 Reserve

The reserve comprises the fair value of remuneration shares measured at the date of grant that will be allotted as fully paid, free of consideration to the key management personnel who has met the performance target for the performance period ended 31 December 2015.

The remuneration share plan was approved by the shareholders at the Extraordinary General Meeting on 22 April 2015. The remuneration shares plan is an equity-settled share-based remuneration.

On 10th June 2016, the Company issued the remuneration shares to the key management personnel amounting to 24,502,402 new ordinary shares pursuant to the remuneration share plan.

28 Foreign currency translation reserve

The foreign currency translation reserve relates to exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

29 Significant related party transactions

(a) Sales and purchases of goods and services

In addition, other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered between the Group and related parties (excluding entities within the Group) took place at terms agreed between the parties during the financial year:

	2016	2015
	\$	\$
<u>The Group</u>		
Purchases from a related party, a substantial shareholder of the Company	(3,594,285)	(2,964,985)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29 Significant related party transactions (continued)

(a) Sales and purchases of goods and services (continued)

Company* related to a director of a subsidiary

	1 Jan 2016 to 08 Sep 2016	1 Jul 2015 to 31 Dec 2015
	\$	\$
Provision of maintenance services	201,464	500,053

* The Group had entered into several one-year agreements with TS Group Pte Ltd ("TS Group") in which a director of one of the subsidiaries of the Group is also a director in TS Group to provide maintenance services. The director of the subsidiary had subsequently resigned from his position on 08 September 2016.

(b) Compensation of key management personnel

	The Group		The Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Short-term employee benefits	1,297,174	1,116,822	944,935	878,226
Central provident fund contributions	91,087	84,394	58,834	62,030
Remuneration shares	–	612,560	–	612,560
	1,388,261	1,813,776	1,003,769	1,552,816

Comprise amounts paid/payable to:

	The Group		The Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Directors of the Company	715,855	606,955	715,855	606,955
Other key management personnel	672,406	594,261	287,914	333,301
Remuneration shares to a director	–	612,560	–	612,560
	1,388,261	1,813,776	1,003,769	1,552,816

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30 Operating lease commitments (non-cancellable)

Operating lease commitments – where the Group is a lessee

At the reporting date, the Group and the Company were committed to making the following lease rental payments under non-cancellable operating leases:

	The Group		The Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Not later than one year	463,635	522,613	35,650	37,200
More than one year but less than five years	83,629	363,575	–	35,650
	547,264	886,188	35,650	72,850

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises and equipment. Leases are negotiated for an average term of one to four years (2015: one to four years).

31 Contingencies

a) Contingent liabilities

Guarantees

The Company has issued letters of indemnities in the normal course of business to various customers for warranty on the exhaust systems installed.

The Company has given letters of financial support to a subsidiary to enable it to continue to operate as a going concern and to meet its obligations as and when they fall due.

The Group and the Company has issued the following corporate guarantees to banks and financial institutions for banking facilities granted to the subsidiaries:

	The Group and Company	
	2016 \$	2015 \$
Bankers' guarantee	104,817	207,853
Performance bond	25,704	1,270,250
	130,521	1,478,103

No liability is expected to arise from the guarantees given. The fair value of the above financial guarantees is not recognised as it is considered not material.

The above facilities are secured by fixed deposits (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32 Financial risk management

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks. There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

32.1 Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents, financial assets at fair value through profit or loss and fixed deposit pledged), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and appropriate measures to mitigate credit risk exposures are undertaken to ensure that the Group's exposure to bad debts is not significant

Cash and cash equivalents and fixed deposits pledged are placed with financial institutions which are regulated and reputable.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and segment profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables (net of allowance for impairment) at reporting date is as follows:

	2016	2016	2015	2015
	\$	%	\$	%
<u>The Group</u>				
By country:				
Singapore	4,294,328	95%	8,125,705	93%
Malaysia	223,967	5%	189,043	2%
People's Republic of China	–	–	474,836	5%
	4,518,295	100%	8,789,584	100%
By segment:				
Manufacturing	2,440,962	54%	3,680,067	42%
Engineering services	1,998,774	44%	4,971,909	56%
Distribution and services	78,559	2%	137,608	2%
	4,518,295	100%	8,789,584	100%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32 Financial risk management (continued)

32.1 Credit risk (continued)

Credit risk concentration profile (continued)

At the end of the reporting period, approximately 31% (2015: 35%) of the Group's trade receivables were due from 3 (2015: 4) major customers who are located in Singapore.

(i) Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment records with the Group. Cash and cash equivalents, financial assets at fair value through profit or loss and fixed deposits pledged that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(ii) Financial assets that are past due but not impaired

The Group and the Company have trade receivables amounting to \$2,850,338 (2015: \$1,686,016) and \$57,134 (2015: \$806,558) respectively, that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	The Group		The Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Trade receivables past due:				
One month or less	978,873	618,331	3,759	399,221
More than one but less than two months	420,539	402,266	–	227,750
More than two but less than three months	506,151	146,564	1,857	–
More than three months but less than one year	800,579	518,855	51,518	179,587
More than one year	144,196	–	–	–
	2,850,338	1,686,016	57,134	806,558

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32 Financial risk management (continued)

32.1 Credit risk (continued)

(iii) Financial assets that are past due and impaired

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Gross amount	2,866,016	1,984,855	5,135,878	4,623,228
Less: Allowance for impairment	(2,438,988)	(1,974,595)	(4,614,893)	(4,623,228)
	427,028	10,260	520,985	–
Movement in allowance for impairment:				
At beginning of the year	1,974,595	2,018,894	4,623,228	4,614,893
Current year allowance	622,036	12,654	–	8,335
Allowance written back	(76,172)	(89,205)	–	–
Allowance written off	(17,335)	–	(8,335)	–
Exchange differences	(64,136)	32,252	–	–
At end of year	2,438,988	1,974,595	4,614,893	4,623,228

Trade debtors that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

32.2 Market risk

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate due to changes in market prices (other than interest or exchange rates) whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group's and the Company's market risk is insignificant.

32.3 Foreign exchange risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly in United States Dollars ("USD"), Malaysia Ringgit ("RM") and New Taiwan Dollar ("NTD").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32 Financial risk management (continued)

32.3 Foreign exchange risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's loss/ profit net of tax to a reasonably possible change in the exchange rates against the respective functional currencies of the Company and the Group entities, with all other variables held constant.

		Increase/(Decrease) profit or loss	
		2016	2015
		\$	\$
<u>The Group</u>			
USD/SGD	–strengthened 5% (2015: 5%)	(876)	225,367
	–weakened 5% (2015: 5%)	876	(225,367)
NTD/SGD	–strengthened 5% (2015: 5%)	(5,193)	(100,746)
	–weakened 5% (2015: 5%)	5,193	100,746
RM/SGD	–strengthened 5% (2015: 5%)	(301)	9,760
	–weakened 5% (2015: 5%)	301	(9,760)
<u>The Company</u>			
USD/SGD	–strengthened 5% (2015: 5%)	645	218,776
	–weakened 5% (2015: 5%)	(645)	(218,776)
NTD/SGD	–strengthened 5% (2015: 5%)	(238)	(82,297)
	–weakened 5% (2015: 5%)	238	82,297
RM/SGD	–strengthened 5% (2015: 5%)	(331)	7,525
	–weakened 5% (2015: 5%)	331	(7,525)

32.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to short term deposits, bank borrowings and finance lease obligations with financial institutions. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings. The impact of change in interest rate on the Group's financial assets and liabilities is minimal. As such, the effect of a sensitivity analysis on the Group's net profit/ loss would be negligible.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32 Financial risk management (continued)

32.5 Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group and the Company monitor its liquidity needs by closely monitoring scheduled debt servicing payments for financial liabilities and their cash outflows due to day-to-day operations, as well as ensuring the availability of funding through an adequate amount of credit facilities, both committed and uncommitted.

The table below analyses the maturity profile of the Group's and the Company's financial assets and liabilities based on contractual undiscounted cash flows:

	Less than 1 year \$	Between 2 and 5 years \$	More than 5 years \$	Total \$
<u>The Group</u>				
As at 31 December 2016				
Financial assets:				
Trade and other receivables	7,666,999	–	–	7,666,999
Fixed deposits pledged	158,872	–	–	158,872
Cash and bank balances	7,343,752	–	–	7,343,752
Total undiscounted financial assets	15,169,623	–	–	15,169,623
Financial liabilities:				
Trade and other payables	14,052,083	–	–	14,052,083
Obligation under finance lease	106,676	63,816	–	170,492
Total undiscounted financial liabilities	14,158,759	63,816	–	14,222,575
Total net undiscounted financial assets/(liabilities)	1,010,864	(63,816)	–	947,048
As at 31 December 2015				
Financial assets:				
Trade and other receivables	12,659,927	–	–	12,659,927
Financial asset at fair value through profit or loss	48,550	–	–	48,550
Fixed deposits pledged	639,810	–	–	639,810
Cash and bank balances	9,391,439	–	–	9,391,439
Total undiscounted financial assets	22,739,726	–	–	22,739,726
Financial liabilities:				
Trade and other payables	14,473,153	–	–	14,473,153
Bank borrowings	1,079,774	55,532	–	1,135,306
Obligation under finance lease	129,462	159,539	12,263	301,264
Total undiscounted financial liabilities	15,682,389	215,071	12,263	15,909,723
Total net undiscounted financial assets/(liabilities)	7,057,337	(215,071)	(12,263)	6,830,003

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32 Financial risk management (continued)

32.5 Liquidity risk (continued)

	Less than 1 year \$	Between 2 and 5 years \$	Total \$
<u>The Company</u>			
As at 31 December 2016			
Financial assets:			
Trade and other receivables	18,443,282	–	18,443,282
Cash and bank balances	3,971,731	–	3,971,731
Total undiscounted financial assets	22,415,013	–	22,415,013
Financial liabilities:			
Trade and other payables	21,315,116	–	21,315,116
Total undiscounted financial liabilities	21,315,116	–	21,315,116
Total net undiscounted financial assets	1,099,897	–	1,099,897
As at 31 December 2015			
Financial assets:			
Trade and other receivables	16,883,227	–	16,883,227
Fixed deposits pledged	109,885	–	109,885
Cash and bank balances	5,771,636	–	5,771,636
Total undiscounted financial assets	22,764,748	–	22,764,748
Financial liabilities:			
Trade and other payables	22,712,893	–	22,712,893
Total undiscounted financial liabilities	22,712,893	–	22,712,893
Total net undiscounted financial liabilities	51,855	–	51,855

33 Capital Management

The primary objective of the Group's capital management is to maintain a strong credit rating and healthy capital ratios to support the Group's business operations and to maximise shareholder value.

The Group manages the capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of the underlying assets. There were no changes in the Group's approach to capital management during the financial years ended 31 December 2016 and 2015.

Management monitors capital based on gearing ratio. The Group's policy is to keep the gearing ratio to not more than 70%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33 Capital Management (continued)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents (including fixed deposits pledged). Total capital is calculated as equity plus net debt.

	The Group		The Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net debt	6,816,772	6,136,421	17,360,574	16,850,561
Equity	12,354,390	14,708,449	8,884,858	8,427,260
Total Capital	19,171,162	20,844,870	26,245,432	25,277,821
Gearing ratio	36%	29%	66%	67%

The Group and Company are in compliance with all loan covenants for the financial years ended 31 December 2016 and 31 December 2015.

34 Statement of operations by segments

For management purposes, the Group is organised into business units based on their activities and services, and has three reportable operating segments as follows:

Manufacturing

Manufacturing relates to revenue generated from the manufacture, supply, installation and maintenance of ETFE-coated ducts, uncoated stainless steel ducts and galvanised steel ducts which will be integrated with third-party equipment such as fume-hoods, scrubbers and fans for a complete environment-control system.

Engineering services

Engineering services relates to provision of turnkey facility construction management and specialist engineering.

Distribution and Services

Distribution and services relates to revenue generated from the distribution of the air-flow systems and Individual Ventilated Cages.

Inter-segment pricing is determined on mutually agreed terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34 Statement of operations by segments (continued)

(a) Business segments

Financial year ended 31 December 2016

	Manufacturing \$	Engineering services \$	Distribution and Services \$	Total \$
REVENUE	24,487,410	31,152,366	1,155,181	56,794,957
Total Segment				
Less: Inter-segment	(5,707,938)	(4,306,062)	–	(10,014,000)
External sales	18,779,472	26,846,304	1,155,181	46,780,957
RESULTS				
Segment results	2,197,319	(3,309,813)	462,414	(650,080)
Income tax expense				(461,837)
Impairment of goodwill				(1,005,637)
Impairment of intangible asset				(223,334)
Non-controlling interest				24,218
Net profit attributable to owners of the Company				(2,316,670)
ASSETS				
Segment assets	10,783,513	14,999,637	1,257,698	27,040,848
Unallocated corporate assets				–
Total assets				27,040,848
LIABILITIES				
Segment liabilities	2,599,791	11,689,981	341,960	14,631,732
Unallocated corporate liabilities				–
Total liabilities				14,631,732
OTHER INFORMATION				
Capital expenditure	(274,384)	(21,320)	–	(295,704)
Depreciation	(316,679)	(67,360)	–	(384,039)
Impairment of goodwill	–	(1,005,637)	–	(1,005,637)
Impairment of intangible asset	–	(223,334)	–	(223,334)
Gain on disposal of plant and equipment	4,000	3,871	–	7,871
Impairment of other receivables	(76,002)	–	–	(76,002)
Allowance for impairment loss on trade receivables	(622,036)	–	–	(622,036)
Write-back of impairment loss on trade receivables	–	76,172	–	76,172
Write-off of bad debts	(22,684)	–	–	(22,684)
Bad debt recovered	–	21,150	–	21,150

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34 Statement of operations by segments (continued)

(a) Business segments (continued)

Financial year ended 31 December 2015

	Manufacturing \$	Engineering services \$	Distribution and Services \$	Total \$
REVENUE				
Total Segment	15,462,577	25,869,185	1,275,658	42,607,420
Less: Inter-segment	(4,249,543)	(3,943,668)	–	(8,193,211)
External sales	<u>11,213,034</u>	<u>21,925,517</u>	<u>1,275,658</u>	<u>34,414,209</u>
RESULTS				
Segment results	<u>2,515,916</u>	<u>656,437</u>	<u>506,599</u>	3,678,952
Income tax expense				(492,780)
Non-controlling interest				(10,469)
Other non-cash item				<u>(612,560)</u>
Net profit attributable to owners of the Company				<u>2,563,143</u>
ASSETS				
Segment assets	<u>14,283,685</u>	<u>16,485,573</u>	<u>1,120,899</u>	31,890,157
Unallocated corporate assets				–
Total assets				<u>31,890,157</u>
LIABILITIES				
Segment liabilities	<u>6,937,623</u>	<u>9,760,046</u>	<u>376,193</u>	17,073,862
Unallocated corporate liabilities				–
Total liabilities				<u>17,073,862</u>
OTHER INFORMATION				
Capital expenditure	425,565	46,349	66,799	538,713
Depreciation	314,923	54,053	15,965	384,941
Gain on disposal of plant and equipment	(1,500)	–	–	(1,500)
Allowance for impairment loss on trade receivables	8,335	4,319	–	12,654
Write-back of impairment loss on trade receivables	(63,410)	(25,795)	–	(89,205)
Bad debt recovered	–	(32,837)	–	<u>(32,837)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34 Statement of operations by segments (continued)

(b) Geographical segments

	2016	2015
	\$	\$
Revenue		
Singapore	46,780,957	34,066,568
Republic of China	–	347,641
	46,780,957	34,414,209

The following table shows the assets by geographical area as at reporting date:

	2016	2015
	\$	\$
Total assets		
Singapore	25,082,251	29,055,929
Malaysia	1,813,246	2,631,499
Republic of China	145,351	202,729
	27,040,848	31,890,157

35 Fair value of financial instruments

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

35 Fair value of financial instruments (continued)

Financial instruments measured at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2016				
Financial assets at fair value through profit or loss	-	-	-	-
31 December 2015				
Financial assets at fair value through profit or loss	48,550	-	-	48,550

Determination of fair value

The financial asset at fair value through profit or loss is carried at fair value which is determined by reference to the quoted prices (unadjusted) in active markets at the end of the reporting period.

No fair value hierarchy information is disclosed for financial assets and liabilities whose carrying amounts are measured on amortised cost basis which approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

36 Categories of Financial Instruments

The categories of financial instruments as at the reporting date are as follows:-

	The Group		The Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
<i>Financial asset at fair value through profit or loss</i>				
Quoted investment	–	48,550	–	–
<i>Loans and receivables</i>				
Trade and other receivables	7,666,999	12,659,927	18,443,282	16,883,227
Fixed deposit pledged	–	639,810	–	109,885
Cash and cash equivalents	7,343,752	9,391,439	3,971,731	5,771,636
	15,010,751	22,739,726	22,415,013	22,764,748
Financial liabilities				
<i>At amortised cost</i>				
Trade and other payables	14,052,083	14,473,153	21,315,116	22,712,893
Bank borrowings	–	1,125,834	–	–
Other financial liabilities				
Obligation under finance lease	150,240	266,563	–	–
	14,202,323	15,865,550	21,315,116	22,712,893

37 Events subsequent to year end

Subsequent to reporting date, the issued share capital of Acesian Systems Pte. Ltd. and Acesian Sun Pte. Ltd. were increased from \$10,000 to \$500,000 and from \$10,000 to \$50,000 respectively for cash to provide for working capital.

38 Authorisation of Financial Statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 7 April 2017.

SHAREHOLDINGS STATISTICS

As at 21 March 2017

Number of issued shares	:	373,285,542
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Treasury shares and subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS AS AT 21 MARCH 2017

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	15	2.43	124	0.00
100 – 1000	28	4.53	26,674	0.01
1,001 - 10,000	138	22.33	971,675	0.26
10,001 - 1,000,000	401	64.88	49,856,658	13.36
1,000,001 and above	36	5.83	322,430,411	86.37
Total	618	100.00	373,285,542	100.00

LIST OF 20 LARGEST SHAREHOLDERS AS AT 21 MARCH 2017

NO.	NAME	NO OF SHARES	PERCENTAGE
1	RHB SECURITIES SINGAPORE P L	48,190,000	12.91
2	CAVANGH GROUP PTE LTD	47,380,000	12.69
3	OH BOON SHI (HU WENSHI)	33,806,541	9.06
4	LOH YIH	31,645,202	8.48
5	HILLS HOLDINGS PTE LTD	20,000,000	5.36
6	CITIBANK NOMS S'PORE PTE LTD	16,912,000	4.53
7	LOH TOH YONG	12,000,000	3.22
8	SENG SOON HIANG	11,510,000	3.08
9	TRIPLESTAR CAPITAL PTE LTD	11,120,000	2.98
10	OCBC SECURITIES PRIVATE LTD	7,764,300	2.08
11	WONG KOK CHYE	6,822,000	1.83
12	CHANG CHEN YU	6,698,000	1.79
13	YUEN CHEE KIN	6,469,000	1.73
14	TAN CHOW KHONG	6,400,000	1.72
15	SEE LOP FU JAMES	6,000,000	1.61
16	HUANG LING JUNG	5,960,000	1.60
17	NG KAH HOCK	5,767,000	1.55
18	LAW CHWEE KIAT	5,035,500	1.35
19	RAFFLES NOMINEES (PTE) LTD	4,459,200	1.20
20	MAYBANK KIM ENG SECS PTE LTD	3,241,800	0.87
	TOTAL:	297,180,543	79.64

SUBSTANTIAL SHAREHOLDERS AS AT 21 MARCH 2017

Name of Substantial Shareholders	Direct Interest	Number of Shares fully paid		
		%	Deemed Interest	%
Loh Yih ⁽¹⁾	31,645,202	8.48	47,380,000	12.69
Cavangh Group Pte Ltd	47,380,000	12.69	–	–
Ho Ta Huang ⁽²⁾	–	–	45,583,000	12.21
Chern Dar Enterprise Co. Ltd ⁽³⁾	–	–	45,583,000	12.21
Oh Boon Shi (Hu WenShi)	33,806,541	9.06	–	–
Ong Tiow Seng ⁽⁴⁾	–	–	20,000,000	5.36
Oh Beng Choo (Hu MingZhu) ⁽⁵⁾	–	–	20,000,000	5.36
Hills Holdings Pte Ltd	20,000,000	5.36	–	–

Notes:

- (1) Mr Loh Yih is deemed to be interested in the 47,380,000 shares held by Cavangh Group Pte. Ltd.
- (2) Mr Ho Ta-Huang is deemed to be interested in the 45,583,000 shares held by Chern Dar Enterprise Co. Ltd.
- (3) Chern Dar Enterprise Co. Ltd's shares are held in the name of a nominee.
- (4) Mr Ong Tiow Seng is a 50% shareholder of Hills Holdings Pte. Ltd and is deemed to be interested in the 20,000,000 shares held by Hills Holdings Pte. Ltd.
- (5) Ms Oh Beng Choo is a 50% shareholder of Hills Holdings Pte. Ltd and is deemed to be interested in the 20,000,000 shares acquired by Hills Holdings Pte. Ltd.

PUBLIC FLOAT

Based on information available to the Company as at 21 March 2017, approximately 50.11% of the issued ordinary shares of the Company are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (“**AGM**”) of Acesian Partners Limited (the “**Company**”) will be held at 33 Mactaggart Road #04-00, Lee Kay Huan Building, Singapore 368082 on Friday, 28th day of April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016 together with the Independent Auditors’ Report thereon.

(Resolution 1)
2. To approve the payment of Directors’ Fees of \$94,000.00 for the financial year ended 31 December 2016 (2015: \$94,000.00).

(Resolution 2)
3. To re-elect Mr Yeo Meng Hin who is retiring under Article 89 of the Articles of Association, as Director of the Company.

(Resolution 3)
[See Explanatory Note (i)]
4. To re-elect Mr Wong Kok Chye who is retiring under Article 89 of the Articles of Association, as Director of the Company.

(Resolution 4)
5. To re-appoint PKF-CAP LLP, as the Auditors of the Company and to authorise the Directors to fix their remuneration.

(Resolution 5)
6. To transact any other ordinary business which may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:-

7. **General mandate to allot and issue new shares in the capital of the Company**

“That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Act**”) and Rule 806 of the Listing Manual under Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Catalist Rules**”), approval be and is hereby given to the Directors of the Company to:-

- (A) (i) issue ordinary shares in the capital of the Company (“**Shares**”) (whether by way of rights, bonus or otherwise); and/or
- (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 or exchangeable 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

NOTICE OF ANNUAL GENERAL MEETING

- (B) (notwithstanding the authority conferred by this Resolution may have been ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided always that:
- (i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed hundred per cent (100%) of the total issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the company (as calculated in accordance with sub-paragraph (ii) below); and
 - (ii) (subject to such manner of calculation and adjustments 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 (i) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;
 - (b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
 - (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST, the Monetary Authority of Singapore or the Sponsor of the Company), all applicable legal requirements under the Act and Articles of Association for the time being of the Company; and
 - (iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

(Resolution 6)

[See Explanatory Note (ii)]

8. Renewal of the Share Buy Back Mandate

“That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “Act”), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (“Shares”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

NOTICE OF ANNUAL GENERAL MEETING

- (i) market purchases (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and/or
- (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other provisions of the Act and the Rules of Catalist as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buy Back Mandate**”);

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting is held or is required by law to be held;
 - (ii) the date on which the share buy back is carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in this Share Buy Back Mandate is varied or revoked;
- (d) for purposes of this Resolution:

“**Prescribed Limit**” means ten per cent. (10%) of the Shares of the Company as at the date of passing of this Ordinary Resolution unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date);

“**Relevant Period**” means the period commencing from the date of the Annual General Meeting at which the Share Buy Back Mandate is approved and thereafter, expiring on the date on which the next Annual General Meeting is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid for the Shares not exceeding:-

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price.

where:-

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

NOTICE OF ANNUAL GENERAL MEETING

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (e) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Share Buy Back by the Company, pursuant to the Share Buy Back Mandate in any manner as they think fit, which is permissible under the Act; and
- (f) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.”

(Resolution 7)

[See Explanatory Note (iii)]

9. **Renewal of Linair (now known as Acesian) Performance Bonus Share Plan**

“That authority be and is hereby given to the Directors of the Company to grant awards under the Linair (now known as Acesian) Performance Bonus Share Plan (the “**Plan**”) established by the Company from time to time in accordance with the provisions of the Plan and to allot and issue from time to time such number of fully-paid up shares as may be required to be allotted and issued pursuant to the vesting of the awards under the Plan, provided that the aggregate number of shares to be allotted and issued pursuant to the Plan shall not exceed fifteen per cent. (15%) of the Company’s issued share capital of the Company from time to time.”

(Resolution 8)

[See Explanatory Note (iv)]

10. **Renewal of the Interested Persons Transactions Mandate**

That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules of the SGX-ST for the Company and its subsidiaries that are entities at risk (as that term is used in Chapter 9 of the Catalist Rules), or any of them, to enter into and to approve and/or ratify any of the transactions falling within the interested person transactions described in the Circular with any party who is of the class of interested persons described in the Circular, provided that such transactions are made on normal commercial terms and not prejudicial to the interest of the Company and the minority shareholders and in accordance with the Company’s review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the “**IPT Mandate**”) shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company is held or is required by law to be held, whichever is earlier; and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate.

(Resolution 9)

BY ORDER OF THE BOARD

WONG KOK CHYE

EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER

13 APRIL 2017
SINGAPORE

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) If re-elected under Resolution 3, Mr Yeo Meng Hin will remain as member of the Audit Committee and Chairman of the Remuneration Committee and Nominating Committee.
- (ii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of hundred per cent (100%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed fifty per cent (50%) of the issued share capital of the Company) for the purposes as they consider would be in the interest of the Company. This authority will continue in force until the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.
- (iii) Resolution 7, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next annual general meeting is to be held or required by law to be held, whichever is earlier, to purchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company up to the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy Back Mandate are set out in greater detail in the Addendum accompanying this Notice.
- (iv) Resolution 8, if passed, will empower the Directors of the Company to grant awards and to issue and allot shares in the capital of the Company pursuant to the Acesian Performance Bonus Share Plan. The Directors may exercise their power to allot and issue shares in the Company pursuant to the Share Plan, provided that the aggregate number of shares to be allotted and issued shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution.

Notes:-

- (i) A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
- (ii) A Relevant Intermediary 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 him (which number and class of shares shall be specified).
- (iii) The instrument appointing a proxy must be deposited at the Company's registered office at 33 Mactaggart Road, #04-00 Lee Kay Huan Building, Singapore 368082, at least 48 hours before the time of the Annual General Meeting.
- (iv) Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- (v) **PERSONAL DATA PRIVACY** By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "Purposes"), (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 or service providers), 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 or service providers) 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.

NOTICE OF ANNUAL GENERAL MEETING

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

This notice has been prepared by the Company and its contents has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (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:

Name: Mr Leong Weng Tuck, Registered Professional, RHT Capital Pte. Ltd.

Address: Six Battery Road #10-01, Singapore 049909

Tel: (65) 6381 6757

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ACESIAN PARTNERS LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 199505699D

IMPORTANT

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We _____ (Name) NRIC/Passport No. _____

Of _____ (Address)

being a member/members of Acesian Partners Limited. (the "Company"), hereby appoint: -

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Meeting to be held at 33 Mactaggart Road #04-00, Lee Kay Huan Building, Singapore 368082, on Friday, 28th day of April 2017 at 10.00 a.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 Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(If you wish to exercise all your votes 'For' or 'Against', please tick [] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2.	Payment of Directors' Fees amounting to \$94,000.00 for financial year ended 31 December 2016		
3.	Re-election of Mr Yeo Meng Hin as a Director of the Company		
4.	Re-election of Mr Wong Kok Chye as a Director of the Company		
5.	Re-appointment of PKF-CAP LLP as Auditors of the Company		
	Special Business		
6.	Authority to Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50		
7.	To renew the Share Buy Back Mandate		
8.	To renew the Linair (now known as Acesian) Performance Bonus Share Plan		
9.	To renew the Interested Persons Transactions Mandate		

Dated this Day of 2017

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

Signature(s) of Shareholder(s)
Or, Common Seal of Corporate Shareholder

 **IMPORTANT: PLEASE READ NOTES FOR PROXY FORM**

Notes:

1. 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, 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 entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary 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 him (which number or class of shares shall be specified).
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
6. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 33 Mactaggart Road #04-00, Lee Kay Huan Building, Singapore 368082, not less than 48 hours before the time appointed for the Meeting.
7. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
8. Please indicate with a tick "✓" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/ they will on any other matter arising at the Meeting.
9. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
10. Subject to note 11, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
11. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2017.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it 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 instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged 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 Meeting, as certified by The Central Depository (Pte) Limited to the Company.

ACESIAN PARTNERS LIMITED
33 Mactaggart Road, #04-00
Singapore 368082
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Fax: (65) 6767 5319
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