創建集團
CCM GROUP LIMITED

# DEVELOPING

Annual Report 2011

This annual report has been reviewed by the Company's sponsor, PrimePartners Corporate Finance 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 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 Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229-8088.


# Contents

# Corporate Profile

## CCM Group Limited ("the Group") is principally engaged in building and construction activities for the public and private sectors in Singapore. The Group's business can be categorised into three main segments – main building works, general building works as well as leasing and installation services.

### Main building works

The Group undertook and completed two main building projects, being construction and development of Park Regis, a 7-storey hotel and office development at the junction of Merchant and Keng Cheow Street and an erection of a 2-storey Hangar on lot 4521X PT & 4543V PT MK20 at Seletar Aerospace View in Seletar Aerospace Park in 2010 and 2011 respectively.

The Group has further secured and is currently undertaking two main building projects to build (i) 491 residential units at Jurong West Neighbourhood 2 and (ii) a 23-storey residential flat with a five (5) storey multi-storey car park, swimming pool, communal facilities and a sky terrace on the sixth (6th) storey at 6 Jalan Ampas. The total contracted amount is near S$100.5 million and is expected to be completed on the last quarter of 2013.

### General building works

The Group undertakes general building works for residential and commercial buildings. Activities include addition and alteration (A&A) projects, refurbishment/ repairs and redecoration (R&R) projects and lift-upgrading programmes.

R&R works involve the repainting and non-structural repair of buildings and existing structures. The Group's recently completed works include residential buildings under various town councils, and commercial buildings.

A&A works involve all kinds of building works in connection with structures such as multi-storey car parks, playgrounds, industrial plants and utility plants. The Group's recently completed A&A works include a Chinese temple at Toa Payoh, Orchard Road Presbyterian Church, the Radiotherapy Centre at National University Hospital and upgrading projects by various town councils.

The Group has been providing R&R works since 2004 and A&A works since 2005.

The Group has further secured four (4) new projects and two (2) in R&R and A&A works amounting to S$24.9 million in FY2011.

### Leasing and installation services

The Group has been providing leasing and installation services for access equipment systems, such as mast climbing work platforms and gondolas, since 2001. Today, it is a leading player in this area with a fleet of more than 200 such systems. In FY2011, the Group had also acquired five (5) tower cranes to support our main building projects and leasing purposes.

These leasing and installation services have been rendered for building works to companies, to name a few, Hock United Engineering Pte. Ltd., Meida Construction Pte. Ltd, Permasteelisa Pacific Holdings Ltd and Keppel FELS Ltd. and at locations such as The Sail@ Marina Bay, Watermark @ Robertson Quay and Tower Fifteen.

# growth

We are an established general contractor with a proven track record specialising in main building works and general building works in the building and construction industry.

# Corporate Structure

創建集團
**CCM GROUP LIMITED**

| CCM Development Pte. Ltd. (Incorporated in Singapore) | CCM Industrial Pte. Ltd. (Incorporated in Singapore) | CCM Manufacturing Pte. Ltd. (Incorporated in Singapore) |
|---|---|---|
| 100% | 100% | 100% |

# Chairman's Statement

**Dear Shareholders,**

2011 has been a resilient year for the construction sector; challenges such as the foreign workers' supply constraints, cooling-off measures implemented by the Government and an increase in prices in construction materials had generally affected the construction sector.


The financial year ended 31 December 2011 ("FY2011") was filled with many challenges and changes for CCM Group Limited (the "Group"). The highlight of FY2011 was undoubtedly our continuing efforts to expand overseas and the award of successful tenders on a few major projects locally.

Full-year Group revenue declined by 12% year-on-year from S$51.6 million for the financial year ended 31 December 2010 ("FY2010") to S$45.5 million in FY2011. The decline was mainly due to a significant portion of revenue being recognised from the completion of the Group's hotel project in FY2010. New projects currently undertaken by the Group are at their preliminary stages and hence there was no material revenue contribution in FY2011. Full-year Group's gross profit declined by 78%, from S$6.9 million in FY2010 to S$1.6 million in FY2011. This was the biggest drag on the Group's full-year net profit, which fell from S$0.5 million in FY2010 to a net loss of S$3.8 million in FY2011.

After excluding the non-recurring IPO expenses of S$0.8 million incurred in FY2010, our administrative expenses rose 21% year-on-year mainly due to an increase in staff costs, an increase in depreciation expenses arising from the purchase of additional property, plant and equipment, an increase in bad debts written off and an increase in legal and other professional fees during FY2011.

We have secured approximately S$133.5 million worth of new projects during FY2011. S$109.0 million of such projects were secured around the last quarter of FY2011 and such projects are expected to complete during FY2012 and FY2013, respectively

Nevertheless, the prospects for the Group, as well as the construction industry, remain bright. Following our results in FY2011, the Group is determined to move forward with a clearer direction and be well-positioned for further business growth in FY2012 and beyond.


**Growth strategy**

Looking ahead, the Group will focus on strengthening our market position in Singapore. In addition, we will also look to expand our footprint in Asia-Pacific markets such as the People's Republic of China (the "PRC"), Hong Kong, Malaysia and Vietnam.

We will also aim for future growth by forming strategic alliances with other parties, thus generating business synergies by leveraging on their strengths.

**Business prospects**

Going forward, CCM Development Pte Ltd, a wholly-owned subsidiary of the Company aims to expand our construction business into selected overseas markets, including the PRC. We have signed a non-legally binding memorandum of understanding with the Government of Dianjiang County, Chongqing Municipal, the PRC. The Group is in the process of completing the necessary legal and financial due diligence exercises, and obtaining approvals and consents from the relevant authorities and third parties. This will allow the Group to capitalise on the regional economic recovery and expand into other Asia-Pacific markets.

According to the Building & Construction Authority ("BCA"), Singapore's construction demand in 2012 is projected to be between S$21 billion and S$27 billion, largely driven by the strong economic growth. However, operating costs are expected to increase due to higher foreign worker levies and CPF contributions by employers.

The Group's financial grading for building development was raised from B1 to A2 with effect from 18 May 2011. This is a positive development for us, and has allowed the Group to tender for larger Government projects. The higher financial grading will enable the Group to ride on the positive outlook for the construction sector demand, as projected by the BCA.

# Chairman's Statement

As at 31 December 2011, the Group's order book, after taking into account completed projects, stands at approximately S$118.6 million.

**Appreciation**

On behalf of the Board of Directors of the Group, I would like to thank all our shareholders for their immense understanding, support and confidence in us. I would also like to take this opportunity to thank all our staff for their dedication and commitment, and our business partners for their support in the Group.

We may still be within the second year of our listing, but we are already looking forward to nurturing a long-term relationship with our shareholders. We aim to do this by continually striving to enhance shareholders' value, and making CCM Group Limited a company that you can be proud of.

**Liew Sen Keong**
Executive Chairman and Chief Executive Officer

# Financial and Operations Review

## Group Revenue

The Group's total revenue generated in the financial year ended 31 December 2011 ("FY2011") declined to **S$45.5 million**, a decrease of **S$6.1 million** or 11.8% from **S$51.6 million** in the financial year ended 31 December 2010 ("FY2010"). In FY2010, a significant portion of revenue was recognised from the completion of the Group's hotel project. In FY2011, new projects were undertaken and were mainly at the preliminary stages and hence there were no material revenue contributions in FY2011. This has resulted in the decrease in revenue.

### Operating Costs and Expenses

Cost of sales in FY2011 declined marginally by S$0.7 million or 1.6% from S$44.7 million in FY2010 to S$44.0 million in FY2011. Overall gross profit decreased by S$5.3 million from S$6.9 million in FY2010 to S$1.6 million in FY2011 and the gross profit margin decreased from 13.4% in FY2010 to 3.4% in FY2011. The decrease in profit margin was mainly due to higher prices of construction materials, such as concrete and rebar, and the increasing foreign labour costs.

After excluding the non-recurring IPO expenses of S$0.8 million incurred in FY2010, marketing and administrative expenses increased by S$0.9 million or 20.0% from S$4.5 million in FY2010 to S$5.4 million in FY2011. The increase was mainly due to an increase in staff costs as a result of an increase in headcount for new main building works, an increase in the depreciation expenses incurred from the purchase of additional property, plant and equipment, an increase in bad debts written off, and an increase in legal and other related professional fees during FY2011.

Despite an increase in loans and borrowings of S$1.8 million in FY2011, finance costs fell by S$0.2 million or 50%, from S$0.4 million in FY2010 to S$0.2 million in FY2011, mainly due to the repayment of bank borrowings of S$1.5 million during the year. The increase in finance lease obligations took place towards the end of FY2011.

### Loss for the Year

In view of the challenges faced by the Group, such as rising costs in foreign workers' levies and construction materials, the Group posted a loss before interest, tax, depreciation and amortisation of S$2.7 million in FY2011 as compared to an earnings before interest, tax, depreciation and amortisation in FY2010 of S$2.2 million.

# Financial and Operations Review

The Group's net loss after taxation amounted to S$3.8 million in FY2011. The Group reported operating profit after tax for the first half of FY2011 of S$1.4 million but reported a net operating loss of S$5.2 million in the second half of FY2011. The Group's operating loss after taxation was derived after a corporate income tax credit of S$0.2 million in FY2011.

### Financial Position

As at 31 December 2011, the Group's balance sheet remained healthy with total cash and short-term deposits of S$3.5 million and shareholders' equity of S$6.2 million.

The Group's total assets as at 31 December 2011 increased by S$1.8 million or 8.2% from S$22.0 million as at 31 December 2010 to S$23.8 million, driven primarily by the increase in property, plant and equipment. Total liabilities increased by S$5.6 million or 46.7% from S$12.0 million as at 31 December 2010 to S$17.6 million, attributed mainly to the increase in loans and borrowings in FY2011.

### Cash Flow

The Group generated a positive net cash flow from operating activities of S$1.8 million in FY2011. The Group recorded a net cash outflow from investing activities of S$1.6 million, arising mainly from the purchase of

property, plant and equipment amounting to S$1.7 million and offset by proceeds from disposal of plant and equipment of S$0.1 million in FY2011.

There is a net cash outflow of S$0.9 million used in financing activities, mainly due to the repayment of bank loan and finance lease obligations of S$1.6 million and S$1.0 million respectively; and the increase in fixed deposits pledged of S$1.0 million. The cash outflow from financing activities was partially offset by proceeds from loans and borrowings of S$2.7 million in FY2011.

As at 31 December 2011, the Group posted a positive working capital position of S$2.6 million.

We are a reputable player with a strong track record in providing main building works, general building works as well as leasing and installation services for the building and construction industry.

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CCM Group Limited

## Main Building Works

45%

The Group undertook and completed two main building projects, being construction and development of Park Regis, a 7-storey hotel and office development at the junction of Merchant and Keng Cheow Street and an erection of a 2-storey Hangar on lot 4521X PT & 4543V PT MK20 at Seletar Aerospace View in Seletar Aerospace Park in 2010 and 2011 respectively.

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## General Building Works

53%

The Group undertakes general building works for residential and commercial buildings. Activities include addition and alteration (A&A) projects, refurbishment/ repairs and redecoration (R&R) projects and lift-upgrading programmes.

R&R works involve the repainting and non-structural repair of buildings and existing structures. The Group's recently completed works include residential buildings under various town councils, and commercial buildings.

A&A works involve all kinds of building works in connection with structures such as multi-storey car parks, playgrounds, industrial plants and utility plants. The Group's recently completed A&A works include a Chinese temple at Toa Payoh, Orchard Road Presbyterian Church, the Radiotherapy Centre at National University Hospital and upgrading projects by various town councils.

The Group has been providing R&R works since 2004 and A&A works since 2005.

The Group has further secured four (4) new projects and two (2) in R&R and A&A works amounting to S$24.9 million in FY2011.

## Leasing and installation services

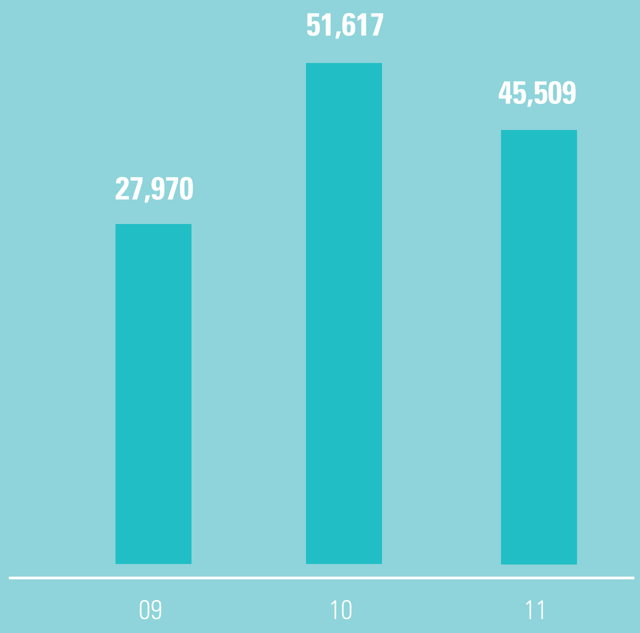
2%

The Group has been providing leasing and installation services for access equipment systems, such as mast climbing work platforms and gondolas since 2001. Today, it is a leading player in this area with a fleet of more than 200 such systems. In FY2011, the Group also acquired 5 tower cranes to support our main building projects and leasing purposes.

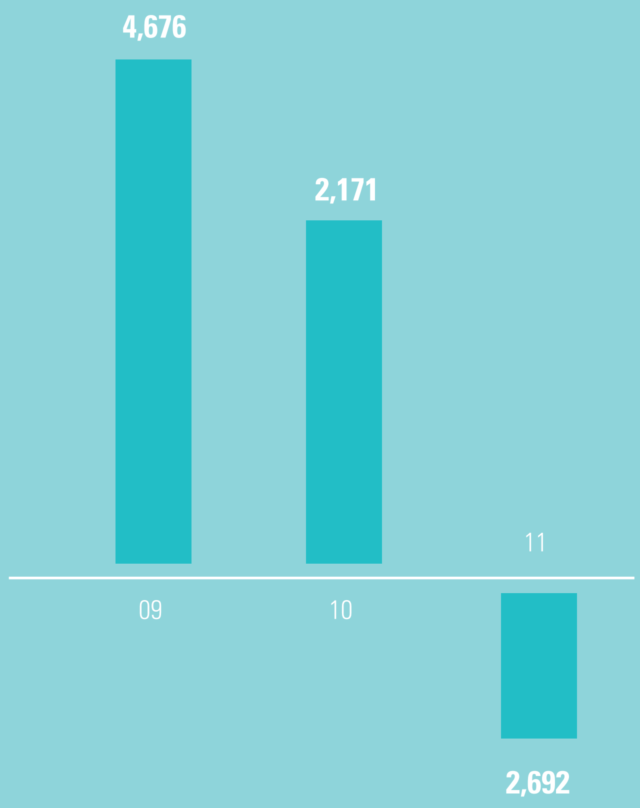
These leasing and installation services have been rendered for building works to companies, to name a few, Hock United Engineering Pte. Ltd. , Meida Construction Pte. Ltd, Permasteelisa Pacific Holdings Ltd and Keppel FELS Ltd. and at locations such as The Sail @ Marina Bay, Watermark @ Robertson Quay and Tower Fifteen.

# Financial Highlights

## Revenue S$ '000




## Ebitda S$ '000



# Board of Directors

**Liew Sen Keong**

*Executive Chairman and Chief Executive Officer*

Mr Liew Sen Keong is the Executive Chairman and Chief Executive Officer of our Group. As the Executive Chairman and Chief Executive Officer, he assumes overall responsibility for the Group's strategic direction, management, planning and business development. He also oversees all key aspects of our Group's operations including identifying, tendering for and securing new projects.

Mr Liew started his career with Vita Enterprise Pte. Ltd. in 1989 as a Project Manager, where he was responsible for supervising projects and managing the labour force on board vessels. In 1992, he joined CME Industries Pte. Ltd. as a Project Supervisor, where he started to gain experience in the construction industry and was tasked with project supervision. In 1996, he was promoted to General Manager of CME Industries Pte. Ltd. with overall responsibility for project and sales management. In 2000, he had a short stint with Sante Scaffolding Pte. Ltd. as a Project Director, where he had overall responsibility for project and sales management, before he set up CCM Industrial Pte. Ltd. and became its Managing Director in 2001.

As the founder of our Group, Mr Liew contributed significantly to the development and expansion of our Group over the years.

Mr Liew holds an Advanced Diploma in Engineering Management from Auston International College Australia, and a Bachelor of Engineering Management from the University of Western Sydney.

**Chan Pui Yee**

*Executive Director*

Ms Chan Pui Yee is the Executive Director (Human Resources and Administration) of our Group. She has more than 20 years of experience in accounting and administrative work.

Ms Chan joined our Group in June 2002 as Finance Manager and was responsible for the finance and administrative functions. In November 2006, she was appointed Executive Director (Administration and Human Resources) and currently oversees our Group's finance, human resources and administrative functions.

Prior to joining our Group, Ms Chan started her career as Accounts Assistant with Pacific International Lines (S) Pte. Ltd. from 1989 to 1991. Thereafter, she joined Calsource Shipping & Trading Pte. Ltd. as Accounts/ Admin Executive in 1992. In 1996, she further advanced her career with a multi-national company ("MNC"), Krafts Foods (S) Pte. Ltd., and Stephan Machinery Singapore Pte. Ltd. in 1998 where she gained invaluable experience in corporate financial reporting in the MNC.

Ms Chan holds certificates and a Diploma in Accounting from The London Chamber of Commerce and Industry ("LCCI"). To further add value to our Group, she has participated in numerous courses related to the operation and administration of construction companies. Examples of these courses include construction law & contracts, internal quality auditor training courses for the ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007 certifications, as well as workplace safety and health management system courses.

# Board of Directors

**Chan Tien Chih**
*Executive Director*

Mr Chan Tien Chih was appointed to our Board of Directors in March 2010 as an Executive Director (Operations). As Executive Director (Operations), he is responsible for overseeing the tendering, planning and budgeting for projects, leading project teams as well as monitoring work processes. He also provides assistance in the forecasting of claims and cashflows.

Mr Chan started his career with Vita Enterprise Pte. Ltd. in 1994 as a Project Coordinator, where he was responsible for coordinating work on the replacement of valves and pipes for oil tankers. From 1997 to 2002, he worked as a Senior Sales Executive with City Chain (S) Pte. Ltd.. In 2002, he joined CCM Industrial Pte. Ltd. as a Site Supervisor, where he led project teams and liaised with clients on the installation and dismantling of work platforms and gondolas. In 2004, he was promoted to the position of Project Director.

To further add value to our Group, Mr Chan has attended numerous courses related to the operation of construction companies and work safety. Examples of these courses include an internal quality auditor training course, a construction safety course for project managers, a lifting supervisor safety course, a suspended scaffold supervisors course and a building and construction safety supervisor course.

**Lai Chin Yee**
*Lead Independent Director*

Ms Lai Chin Yee was appointed in March 2010 as our Lead Independent Director. She has more than 24 years of experience in auditing, taxation, finance and accounting and is currently the Finance Director of Qian Hu Corporation Limited, a company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). She is also the Lead Independent Director of other companies listed on the SGX-ST, namely, China Sports International Limited and Ryobi Kiso Holdings Ltd. Prior to joining Qian Hu Corporation Limited in 2000, Ms Lai was an auditor with international public accounting firms since 1987. From December 2006 to August 2007, she was appointed by the Ministry of Finance as a Council Member of the Council on Corporate Disclosure and Governance (CCDG). She is a member of the CFO Committee of the Institute of Certified Public Accountants of Singapore ("ICPAS") since May 2009.

Ms Lai graduated with a Bachelor degree in Accountancy from the National University of Singapore and is a Fellow of the ICPAS. In 2009, she was named the Chief Financial Officer of the Year (for companies listed on the SGX-ST with less than $300 million in market capitalisation) at the Singapore Corporate Awards.

**Aloysius Wee Meng Seng**
*Independent Director*

Mr Aloysius Wee Meng Seng was appointed to our Board of Directors in March 2010 as an Independent Director. He has more than 10 years of experience in civil litigation, with an emphasis on intellectual property disputes, building and construction law, real estate transactions, landlord tenant disputes and management.

Mr Wee is currently the Managing Partner of Dacheng Central Chambers LLP, Singapore's first Singapore-China joint venture law firm. He also advises on cross-border joint ventures and transactions, as well as mergers and acquisitions, with a focus on China, India and ASEAN. In addition, he is the legal advisor to the Muscular Dystrophy Association (Singapore), The Entrepreneurs Club (Singapore), The Realm of Tranquility (a charity in Singapore) and the Dalian Shide Talent Development Football Club.

Currently, Mr Wee is also an Independent Director for Changjiang Fertilizer Holdings Limited, a company listed on the SGX-ST. In addition, he sits on the Board of Governors for Tay Leck Teck Foundation, a charitable foundation based in Singapore.

Mr Wee graduated with a Bachelor in Law & Economics (Honours) from the University of Kent. He is admitted to the Singapore Bar, as well as The Honourable Society of the Middle Temple.

**Dr. Tan Eng Khiam**
*Independent Director*

Dr. Tan Eng Khiam was appointed to our Board of Directors in March 2010 as an Independent Director.

Dr. Tan is currently an Associate Professor with the School of Design and Environment, National University of Singapore. He also acts as an overseas consultant to SMM Pte. Ltd., which is the facilities management arm of JURONG International (a wholly-owned subsidiary of JTC Corporation). He started his career in 1977 as a Senior Architecture and New Towns Zonal Coordinator with the Housing and Development Board. Since then, he has held several senior project planning and management positions in local and overseas organisations including Wallace Floyd & Associates, Turrini and Brink, Rashid Hussain Bhd., Rashid Hussain Property Management Sdn. Bhd. Malaysia, Putrade Property Management Sdn. Bhd., Poh Lian Holdings Ltd and GIC Real Estate Pte. Ltd..

Dr. Tan also served as an Independent Director of Greatronic Ltd, a company which was listed on the SGX-ST, from 2003 to 2004.

Dr. Tan holds a Bachelor of Architecture from the University of Singapore, a Master of Science in Architecture Studies from the Massachusetts Institute of Technology, a Master in Landscape Architecture from the Graduate School of Design in Harvard University and a Master in City Planning from the Massachusetts Institute of Technology. In 2002, he was awarded a PhD in Business and Management from the University of South Australia. Dr. Tan is a registered architect with the Singapore Board of Architects.

# Executive Officers

## Goh Tuck Peng

*Chief Financial Officer*

Goh Tuck Peng is a Certified Public Accountant ("CPA") with Institute of Certified Public Accountants of Singapore ("ICPAS") since 2001 and joined the Group in December 2009 as its Financial Controller. He resigned on June 2011 and returned as Chief Financial Officer ("CFO") of the Company in January 2012. He is responsible for the financial and accounting matters of the Group and to ensure compliance with the financial reporting and regulatory requirements of the Group. Mr Goh has more than 16 years of experience in areas of auditing, finance and accounting. Prior to joining the Group, he was the CFO of Zhejiang Red Sun Wool Technology Ltd and the Group Finance Manager of Shanghai Asia Holdings Limited, a company listed on the SGX-ST.

Mr Goh obtained his ACCA professional qualification from the Singapore Accountancy Academy, ICPAS in 1997 and started his finance and accounting career with KPMG LLP (formerly known as KPMG Peat Marwick).

## Lee Kong Honn

*General Manager*

Mr Lee Kong Honn is the General Manager of our Group since April 2010 and has 16 years of experience in the administration, coordination and management of building construction projects. His current job scope includes overseeing projects, contracts and the operations of the Group. Mr Lee started his construction career in 1994 after serving six (6) years with the Singapore Armed Forces from 1986 to 1991 and three (3) years as an instructor in the Bukit Batok Driving Centre from 1991 to 1993. He began his career in the construction industry as a site supervisor when he joined B.K. Lim Stone Industries & Construction Pte. Ltd. from 1994 to 1995 and worked his way up to a Managerial position while he was with Kwan Yong Construction Pte. Ltd. from 2003 to 2008, after leaving Greatearth Construction Pte. Ltd. in the year 2003.

Mr Lee graduated from Heriot Watt University with a Bachelor of Science in Construction Management in 2008 after he obtained his Diploma from the BCA Academy in 2006.

## Ng Chee Seng

*Project Manager*

Ng Chee Seng is our Project Manager.  He joined the Group since 2009 and is responsible for overseeing and leading construction projects and A&A works to ensure adherence to project schedules and to resolve any issues arising on the construction sites. Mr Ng has 36 years of experience in the construction industry. Mr Ng started his career with Tan Ghim Huat Construction Pte. Ltd. as a Site Agent serving from 1975 till 1989. His other experiences prior to joining our Group include serving as Project Manager with Lian Hock Huat Construction Pte. Ltd., Wan Soon Construction Pte. Ltd., Senior Construction Manager with Tobishima Corporation and Site Manager with Chip Eng Seng Contractors (1989) Pte. Ltd.

## Teo Wee Khoon

*Project Manager*

Teo Wee Khoon is our Company's Project Manager where his responsibilities include managing R&R projects and compliance with building rules and regulations. Mr Teo has more than seven (7) years of experience in site safety and operations. Mr Teo started his career with ISO-Team Corporation Pte. Ltd. where he served as a Project Supervisor from March 2004 to September 2005. Subsequently, he was with JNT Building Services Pte. Ltd. as a Project Coordinator from 2005 to 2006. He joined 10-ANC Enterprise Pte. Ltd. as Assistant Project Manager from 2006 till 2008.

## Tan Choon Siong

*Project Manager*

Tan Choon Siong is our Company's Project Manager and is responsible for the control and management of our R&R projects. Mr Tan is responsible for the implementation of quality, environment, occupational health and safety ("QEHS") regulations and education of workers on safety measures at the work site. He is also in charge of liaising and coordinating with our clients, consultants and sub-contractors, as well as the deployment of workers. Prior to joining our Company, Mr Tan held the position of a supervisor in JNT Building Services Pte. Ltd. from 2005 to 2007, where he was responsible for liaising and coordinating with clients, consultants and sub-contractors, as well as the deployment of workers. He was with SLC Construction Pte. Ltd. from 2002 to 2005, where he was responsible for coordinating with clients, preparing work schedules and the deployment of workers.

# Corporate Information

## Directors

Liew Sen Keong
*(Appointed on 9 September 2009)*

Chan Pui Yee
*(Appointed on 9 September 2009)*

Chan Tien Chih
*(Appointed on 10 March 2010)*

Lai Chin Yee
*(Appointed on 10 March 2010)*

Aloysius Wee Meng Seng
*(Appointed on 10 March 2010)*

Dr. Tan Eng Khiam
*(Appointed on 10 March 2010)*

## Company Secretary

Gwendolyn Gn Jong Yuh
*(LLB Hons)*

## Share Registrar

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

## Registered Office

64 Woodlands Industrial Park E9
Singapore 757833
Tel: (65) 6285 6565
Fax: (65) 6286 5656
Email: admin@ccmgroup.sg

## Bankers

United Overseas Bank Limited
DBS Bank Limited
Overseas-Chinese Banking Corporation Limited
Standard Chartered Bank

## Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Low Bek Teng
(Since financial year ended 31 December 2011)

## Sponsor

PrimePartners Corporate Finance Pte. Ltd.
20 Cecil Street, #21-02 Equity Plaza,
Singapore 049705

# Corporate Governance Report

The Board of Directors (the "**Board**" or the "**Directors**") and the management ("**Management**") of CCM Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") are strongly committed to achieving a high standard of corporate governance which is essential to the stability and sustainability of the Group's performance, protection of shareholders' interests and maximisation of long-term shareholder value.

Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**") requires an issuer to outline the corporate governance practices adopted by the Company as set out in the Code of Corporate Governance 2005 (the "**Code**").

This report describes the Company's corporate governance practices with specific reference to the Code for the financial year ended 31 December 2011 ("**FY2011**").

## PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The primary function of the Board is to protect shareholders' interests and enhance long-term shareholder value and returns. The Board works with the Management to achieve this and the Management remains accountable to the Board.

Besides carrying out its statutory duties and responsibilities, the Board's other roles are to:

- provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enables the identification, assessment and management of risks;
- review management performance;
- set the Company's values and standards, and to ensure that obligations to the shareholders and others are met;
- approve major investment funding and major increase/decrease in a subsidiary company's capital;
- approve the nomination of Directors to the Board; and
- oversee the business conduct of the Company and assume responsibility for corporate governance.

The Board is of the view that it has taken objective decisions in the interests of the Company.

To assist the Board in the execution of its responsibilities, specialised committees of the Board, namely the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"), have been established and delegated certain functions (collectively, the "**Board Committees**"). These Board Committees operate within clearly defined terms of reference and operating procedures and these terms of reference and operating procedures are reviewed on a regular basis. Further details of the scope and functions of the various committees are provided under the sections on Principle 4, 5, 7, 8 and 11 of this report.

# Corporate Governance Report

The Board meets regularly with at least two (2) scheduled meetings within each financial year to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Board members are provided with complete, adequate information in a timely manner, including half-yearly management reports and all relevant information on material events and transactions, to enable them to be fully cognisant of the decisions and actions of the Group's management team. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from the Management on financial, business and corporate issues and are normally circulated in advance of each meeting. This enables the Directors to request for and obtain further explanations, where necessary, in order to be briefed before the meeting. Ad-hoc meetings are convened as and when deemed necessary.

Matters which are specifically reserved for Board's approval are those involving a conflict of interest for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, financial results and interested person transactions of a material nature.

The Company's Articles of Association ("**Articles**") provide for Board meetings to be conducted by means of conference telephone, video-conferencing, audio visual or other electronic means of communication.

The number of Board and Board Committee meetings, and the attendance of each Director at the meetings for **FY2011** is as follows:

| | **Board** | | **Audit Committee** | | **Remuneration Committee** | | **Nominating Committee** | |
|---|---|---|---|---|---|---|---|---|
| **Name of Directors** | **No. of meetings held** | **No. of meetings attended** | **No. of meetings held** | **No. of meetings attended** | **No. of meetings held** | **No. of meetings attended** | **No. of meetings held** | **No. of meetings attended** |
| Liew Sen Keong | 2 | 2 | 2 | 2^ | 2 | 2^ | 2 | 2^ |
| Chan Pui Yee | 2 | 2 | 2 | 2^ | 2 | 2^ | 2 | 2^ |
| Chan Tien Chih | 2 | 2 | 2 | 2^ | 2 | 2^ | 2 | 2^ |
| Dr. Tan Ah Mee[1] | 2 | – | 2 | – | 2 | – | 2 | – |
| Lai Chin Yee | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Aloysius Wee Meng Seng | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Dr. Tan Eng Khiam | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

**Notes:**

1 : Dr. Tan Ah Mee resigned as an Executive Director of the Company with effect from 31 March 2011.

^ : by invitation.

All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

The Company will ensure that incoming and newly appointed Directors are given guidance and orientation (which may include management presentations) to allow the Director to understand the Group's business operations, strategic directions and policies, corporate functions and governance practices. If necessary, on-site visits to the Group's local and overseas places of operation will be arranged. Upon appointment, they will also be provided with formal letters, setting out their duties and obligations.

In addition, continuous and on-going training programmes are made available to the Directors, including courses on Directors' duties and responsibilities as well as seminars and talks on relevant subject fields.

The Directors are conscious of the importance of the continuing education in areas such as legal and regulatory responsibilities and accounting issues, and will regularly update and refresh themselves on matters that may affect their performance as a Board, or as a Board Committee Member. Accordingly, further trainings for Directors will extend to relevant new laws, regulations and changing commercial risks from time to time.

## PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

At the date of this report, the Board comprises six (6) Directors, out of which three (3) are Independent Directors and the remaining three (3) are Executive Directors. As such, the requirement of the Code that at least one-third of the Board comprises Independent Directors is satisfied. There is a strong and independent element on the Board, capable of exercising objective judgment on corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. The Independent Directors chair all Board Committees, which play a pivotal role in supporting the Board.

To strengthen the independence of the Board, the Company has appointed Ms Lai Chin Yee as our lead independent director ("**Lead Independent Director**"). Ms Lai is also the Chairperson of the AC.

The NC reviews and determines the independence of each Director annually. The NC adopts the Code's definition of what constitutes an Independent Director in its review. The Board considers an Independent Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs.

The Independent Directors, namely Mr Aloysius Wee Meng Seng, Ms Lai Chin Yee and Dr. Tan Eng Khiam, have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company. The NC has reviewed and determined that the said Directors are independent.

The NC is of the view that the Board has the requisite blend of expertise, skills and attributes to oversee the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group, such as accounting, corporate finance, business development, management, sales and strategic planning. In particular, our Executive Directors have many years of experience in the industries that we operate in.

The NC considers the Board's present size adequate for effective decision-making taking into account the nature and scope of the Company's operations. As the Company's activities continue to grow, the NC will continuously review the composition and size of the Board on an annual basis to ensure that it will have the necessary competencies for effective decision-making. The current Board members collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision-making process.

# Corporate Governance Report

The NC reviews the performance of the Group and the effectiveness of the Board's processes and activities in meeting set objectives. The NC meets at least once a year without the presence of Management.

Information on the interests of Directors who held office at the end of the financial year in shares and debentures and share options in the Company and in related corporations (other than the wholly-owned subsidiaries) are set out in the Report of the Directors on pages 32 to 34 of this Annual Report.

## PRINCIPLE 3: EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In view of Mr Liew Seng Keong's appointment as the Executive Chairman and Chief Executive Officer ("**CEO**") of the Company, Ms Lai Chin Yee has been appointed as the Lead Independent Director of the Company, pursuant to the recommendations of the Code. In accordance with the recommendations of the Code, the Lead Independent Director will be available to address the concerns of the shareholders and employees in the event that contact through the normal channels of the Executive Chairman and CEO as well as Chief Financial Officer cannot satisfactorily resolve their concerns or where such contact or communications is considered inappropriate. The Board is of the view that there are sufficient safeguards and checks in place to ensure that the process of decision making by the Board is independent and based on collective decisions, without any individual or group of individuals exercising any considerable power and influence.

The Chairman and CEO's duties include:

- setting out the corporate directions of the Company;
- leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
- ensuring accurate, timely and clear information flow to Directors;
- ensuring effective shareholder communication;
- encouraging constructive relations between the Board and the Management;
- facilitating effective contribution of Non-Executive Directors;
- encouraging constructive relations between Executive Directors and Non-Executive Directors; and
- promoting high standards of corporate governance.

## PRINCIPLE 4: BOARD MEMBERSHIP

The NC comprises three (3) Independent Directors, namely, Mr Aloysius Wee Meng Seng (Chairman of NC), Ms Lai Chin Yee and Dr. Tan Eng Khiam.

In accordance with the definition of the Code, the Chairman of the NC is not directly associated with the substantial shareholders of the Company.

The principal functions of the NC, which are set out in the written terms of reference and undertaken by the NC during the financial year, are as follows:

- review and assess candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of Directors;
- establishing the terms of reference for NC;
- re-nominating Directors for re-election in accordance with the Articles of the Company at each annual general meeting ("**AGM**");
- determining annually, the independence of Directors;
- deciding the assessment process and implementing a set of objective performance criteria for evaluation of the Board's performance; and
- evaluating the Board's effectiveness as a whole and each Director's contribution to its effectiveness in accordance with the assessment process and performance criteria adopted.

The process for selection and appointment of new Directors, which is led by the NC, is as follows:

(a) evaluating the balance of skills, knowledge and experience of the Board and, in the light of such evaluation and in consultation with the Management, preparing a description of the role and the essential and desirable competencies for a particular appointment;

(b) where necessary, external help may be used to source for potential candidates. The Board and the Management may also make suggestions;

(c) meeting with short-listed candidates to access their suitability and to ensure that the candidates are aware of the expectations and the level of commitment required; and

(d) making recommendations to the Board for approval.

Under the Articles of the Company, at each AGM, at least one-third of the Directors for the time being are required to retire from office by rotation, provided always that all Directors are required to retire at least once in three (3) years. The NC assesses and recommends to the Board whether the retiring Directors are suitable for re-election, taking into consideration the range of expertise, skills and attributes of the Board and its composition. The NC also considers the attendance, level of preparedness, participation and candour of such Directors although re-nomination or replacement does not necessarily reflect the Directors' performance or contributions to the Board.

The NC recommended to the Board that Ms Chan Pui Yee and Ms Lai Chin Yee be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC has considered the Directors' overall contribution and performance.

The NC also determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board, in making the determination, and is satisfied that all the Directors have been able to and had adequately carried out their duties notwithstanding their multiple board representations.

# Corporate Governance Report

Key information regarding the Directors is disclosed under the section on "Board of Directors" on pages 11 to 13 of this Annual Report.

## PRINCIPLE 5: BOARD PERFORMANCE

The NC has implemented a formal board evaluation process to be carried out annually to assess the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board. The objective of the annual evaluation is to identify areas for improvement and to implement appropriate action.

The areas of assessment focused on:

(a) board's conduct of meetings;

(b) board's review of corporate strategy and planning;

(c) risk management and internal control;

(d) whistle-blowing matters;

(e) measuring and monitoring performance;

(f) recruitment and evaluation;

(g) compensation for board and key executives;

(h) succession planning;

(i) financial reporting; and

(j) communication with shareholders.

The areas of assessment under the evaluation process do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

As the Company was listed for less than two (2) years, the consideration of the Company's share price performance over a five-year period is not applicable. However, the Board will review this performance criterion when relevant.

During the financial year under review, Directors were requested to complete a self-assessment checklist based on the above areas of assessment to assess the overall effectiveness of the Board. The results of this checklist were considered by the NC which then made recommendations to the Board, aimed at helping the Board to discharge its duties more effectively.

The NC has assessed the current Board's performance to-date, its roles and responsibilities and is of the view that the performance of the Board as a whole was satisfactory.

The NC will continue to review formal assessment processes for evaluating Board performance, as well as the contribution of individual Directors to the effectiveness of the Board. The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seek the resignation of Directors in consultation with the NC. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his re-nomination as Director.

## PRINCIPLE 6: ACCESS TO INFORMATION

To assist the Board in fulfilling its responsibilities, Board members are provided with board papers for proposals and are given regular management information prior to each Board meeting and at such other times as necessary. Information provided to the Board includes background information relating to the matters to be brought before the Board. Relevant information on material events and transactions are circulated to Directors as and when they arise. The Board also receives regular reports pertaining to the operational and financial performance of the Group.

The Board members have separate and independent access to the Management as well as the Company Secretary at all times.

The Company Secretary attends all Board and Board Committee meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and the Catalist Rules. Minutes of the Board and various Board Committees are circulated to the Board for information. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Board Committees and between senior management and the independent directors, as well as facilitating orientation and assisting with professional development where required.

The Board is fully involved in and responsible for the appointment and removal of the Company Secretary.

Where the Directors, either individually or collectively, in the furtherance of their duties, require professional advice, the Management will assist them in obtaining independent professional advice, at the Company's expense.

## PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises three (3) Independent Non-Executive Directors, namely Dr. Tan Eng Khiam (Chairman of the RC), Ms Lai Chin Yee and Mr Aloysius Wee Meng Seng.

The RC recommends to the Board a framework of remuneration for the Directors and the Management and determines specific remuneration packages and terms of employment for each Executive Director and the Management. The Company sets out remuneration packages that are able to attract, retain and motivate employees without being excessive, thereby maximising shareholders' value.

The RC's recommendations in respect of the Directors' remunerations are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits-in-kind are covered by the RC.

Each member of the RC will abstain from voting and discussion on any resolutions in respect of his or her own remuneration package.

If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration matters. The expenses of such services shall be borne by the Company.

# Corporate Governance Report

## PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The Executive Directors do not receive Directors' fees. The performance-related elements of remuneration are designed to align interests of Executive Directors with those of the shareholders and link rewards to the Group's financial performance.

The Executive Directors have each entered into a service agreement with the Company in which terms of their employment are stipulated. Their initial term of employment is for a period of three (3) years from the date of admission of the Company to Catalist (the "**Initial Term**"). After the Initial Term, their service contract will be automatically renewed annually. The service agreements do not contain onerous renewal clauses.

Save for the Initial Term of the service agreement of the Executive Directors, the service agreement may be terminated by giving six (6) months' prior written notice or an amount equal to six (6) months' salary in lieu of such notice.

Under the service agreements, each of the Executive Directors will be paid an incentive bonus based on the profit before taxation of the Group, when it exceeds S$5,000,000 for the financial year.

Independent and Non-Executive Directors are paid Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent and the responsibilities of the Directors. Such fees are pro-rated if the Directors serve for less than one (1) year on the Board. The Directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at each AGM of the Company.

The Company has no long-term incentive schemes such as offer of shares or granting of options in place as it considers that it is not cost effective to administer such schemes currently.

In settling remuneration packages, the Company considers the remuneration and employment conditions within the industry. If required, the Company will engage professional advice to provide guidance on remuneration matters.

## PRINCIPLE 9: DISCLOSURE ON REMUNERATION

A breakdown showing the level and mix of the remuneration of the Directors and Key Executives during FY2011 is as follows:

| | | Salary % | Variable Bonus % | Director's Fees % | Total % |
|---|---|---|---|---|---|
| **(a)** | **Directors** | | | | |
| | **Above S$250,000 but below S$500,000** | | | | |
| | Liew Sen Keong | 100 | – | – | 100 |
| | **Below S$250,000** | | | | |
| | Chan Pui Yee | 100 | – | – | 100 |
| | Chan Tien Chih | 100 | – | – | 100 |
| | Dr. Tan Ah Mee (Resigned in March 2011) | 100 | – | – | 100 |
| | Lai Chin Yee | – | – | 100 | 100 |
| | Aloysius Wee Meng Seng | – | – | 100 | 100 |
| | Dr. Tan Eng Khiam | – | – | 100 | 100 |
| **(b)** | **Key Executives** | | | | |
| | **Below S$250,000** | | | | |
| | Goh Tuck Peng | 100 | – | – | 100 |
| | Lee Kong Honn | 100 | – | – | 100 |
| | Soo Koh Wah | 100 | – | – | 100 |
| | Teo Wee Khoon | 100 | – | – | 100 |
| | Tan Choon Siong | 100 | – | – | 100 |
| | Ng Chee Seng | 100 | – | – | 100 |
| | Chong Chee Seng (Retired in October 2011) | 100 | – | – | 100 |
| | Chit Shwe (Resigned in May 2011) | 100 | – | – | 100 |

Dr. Tan Ah Mee received S$13,134 as remuneration for his services rendered as a director of the Company in FY2011. Chong Chee Seng and Chit Shwe received S$74,667 and S$43,772 respectively for the services rendered as key executives of the Company in FY2011.

The Company does not have any employee who is an immediate family member of any Director and whose remuneration exceeded S$150,000 during the financial year under review.

The Company does not have any employee share options scheme and performance share plans in place.

# Corporate Governance Report

**PRINCIPLE 10: ACCOUNTABILITY**

The Board is responsible for presenting to shareholders a balanced and clear assessment of the Company's performance, position and prospects.

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the interests of the Company.

Financial reports and other price sensitive information, press releases and presentations made are disseminated to shareholders through SGXNET on a timely basis and are also available on the Company's website at www.ccmgroup.sg. The Company's annual report is sent to all shareholders and its half and full-year financial results are accessible on the Company's website.

The Management provides the Board with half-yearly management accounts that keep the Board informed of the Group's performance, position and prospects. The half-yearly management accounts consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit with variance analyses.

**PRINCIPLE 11: AUDIT COMMITTEE**

The AC comprises three (3) Independent Non-Executive Directors, namely Ms Lai Chin Yee (Chairperson of the AC), Dr. Tan Eng Khiam and Mr Aloysius Wee Meng Seng.

All members of the AC have extensive management and financial experience. The Board considers them as having sufficient financial management knowledge and experience to discharge their responsibilities in the AC.

The AC has full access to, and cooperation from the Management, and has full discretion to invite any Director, executive officer or other persons to attend its meetings. It may require any such Director, officer or other person in attendance to leave the proceedings (temporarily or otherwise) to facilitate open discussion.

The duties and responsibilities of the AC are contained in a written terms of reference, which mainly assists the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance, business and financial risk management. During the financial year under review, the AC performed the following main functions:

- establishing the terms of reference for AC;
- recommending to the Board, the appointment or re-appointment of the external auditors and approving the remuneration and terms of engagement of the external auditor;
- reviewing the scope, changes, results and cost effectiveness of the external and internal audit plan and process;
- reviewing the Group's half-year and full-year financial statements and related notes and announcements relating thereto; accounting principles adopted, and the external auditors' reports prior to recommending to the Board for approval;
- reviewing and evaluating, having regard to input from external and internal auditors, the adequacy of the system of internal controls and compliance functions, which include internal financial controls, operational and compliance controls and risk management policies and systems;

- reviewing the nature, scope, extent and cost-effectiveness of any non-audit services provided by the external auditors and ensuring that these do not affect the independence and objectivity of the external auditors;
- reviewing any significant financial reporting issues and judgements and estimates made by the Management, so as to ensure the integrity of the financial statements of the Company;
- reviewing the effectiveness of the Company's internal audit functions; and
- reviewing the interested person transactions falling within the scope of Chapter 9 of the Catalist Rules reported by the Management to ensure that they were carried out on normal commercial terms, and are not prejudicial to the interests of shareholders.

The AC has met with the external auditors without the presence of the Management in February 2012. On the same day, the AC met with the internal auditors.

The AC has reasonable resources to enable it to discharge its functions properly.

The AC will review the independence of the external auditors annually. The AC has reviewed the non-audit services provided by the external auditors, Ernst & Young LLP, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended that Ernst & Young LLP be nominated for re-appointment as the Company's auditors at the forthcoming AGM.

The Company confirms that it is in compliance with Rules 712 and 715 in relation to its external auditors.

Details of the activities of the AC are also provided under Principle 12 and 13 of this Report.

**Whistle-blowing policy**

The Company has put in place a whistle-blowing policy. The policy is intended to conform to the guidance set out in the Code which encourages employees to raise concerns, in confidence, about possible irregularities to Ms Lai Chin Yee, Chairperson of the whistle-blowing committee. It aims to provide an avenue for employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith within the limits of the law.

The AC exercises the overseeing functions over the administration of the policy. Periodic report will be submitted to the AC stating the number and the complaints received, the results of the investigations, follow up actions and the unresolved complaints.

# Corporate Governance Report

**PRINCIPLE 12: INTERNAL CONTROLS**

The Board is committed to maintaining a robust and effective system of internal controls to safeguard shareholders' investments and the Group's assets.

The AC reviews on an annual basis the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management. The system of internal controls and risk management established by the Company are designed to manage, rather than eliminate the risk of failure in achieving the Company's strategic objectives. Management is involved in regular reviews of the risks that are significant to the fulfilment of the objectives of the business. However, it should be recognised that such systems are designed to provide reasonable assurance, but not an absolute guarantee against material misstatement or loss.

During the financial year under review, the Group's internal auditors had conducted annual review of the effectiveness of the Group's internal controls. The Board believes that, in the absence of any evidence to the contrary and from due enquiries, the system of internal controls that has been maintained by the Company's management is adequate to meet the needs of the Company in its current business environment.

The Board, with concurrence of the AC, is satisfied that there are adequate internal controls, addressing financial, operational and compliance risks in the Company.

**PRINCIPLE 13: INTERNAL AUDIT**

The internal audit function is currently outsourced to BDO Consultants Pte Ltd ("**BDO**") which reports directly to the AC on internal audit matters and the Executive Chairman on administrative matters. BDO performs its work based on the BDO Internal Audit Methodology which is consistent with the standards set by nationally or internationally recognised professional bodies including the Standards for the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The internal audit plans are approved by the AC, with the outcome of the internal audit presented to and reviewed by the Management, AC and the Board.

The AC reviews the scope and results of the internal audit and ensures that the internal audit function is adequately resourced. Following the review of BDO's internal audit plan and their evaluation of the system of internal controls, the AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group.

The annual conduct of audits by the internal auditors assesses the effectiveness of the Group's internal control procedures and provides reasonable assurance to the AC and the Management that the Group's risk management, controls and governance processes are adequate and effective.

**PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS**

In line with the continuous disclosure obligations of the Company, pursuant to the Catalist Rules and the Companies Act, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis all material developments that impact the Group.

Communication with shareholders is managed by the Board, and they are assisted via the provision of third party investor relation services by Mileage Communications Pte Ltd for FY2011.

All announcements are released via SGXNET including the half-year and full-year financial results, distribution of notices, press releases, analyst briefings, presentations, announcements on acquisitions and other major developments. The Company does not practice selective disclosure and price sensitive information to its shareholders is publicly released on an immediate basis where required under the Catalist Rules. In addition, all shareholders will receive the Annual Report together with the Notice of AGM, which is also accessible through SGXNET. In the event that inadvertent disclosure is made to a select group, the Company will make the same disclosure publicly to all shareholders as soon as practicable.

**PRINCIPLE 15: SHAREHOLDER PARTICIPATION**

The Board supports the Code's principle to encourage shareholder participation at AGMs and to allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The Board encourages shareholders to attend the AGMs to ensure a greater level of shareholders' participation and to meet with the Board and key management staff so as to stay informed of the Company's developments. At the AGM, shareholders will be given opportunity to raise issues and direct questions regarding the Group to the Directors or the Management. The Directors, including the Chairpersons of each of the Board Committee, the Management, as well as the Company's external auditors will be present at the AGM to address shareholders' queries.

Shareholders can vote in person or appoint not more than two proxies to attend and vote on behalf. There is no provision in the Company's Articles that limits the number of proxies for nominee companies. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of members through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

The Company will practise having separate resolutions at general meetings on each substantially separate issue.

The Company will make available minutes of general meetings to shareholders upon their request.

# Corporate Governance Report

## MATERIAL CONTRACTS

There were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman and CEO or any Directors or controlling shareholders which are either still subsisting as at the end of FY2011 or if not then subsisting, entered into since the end of the previous financial year.

## DEALING IN SECURITIES

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by Directors and executives of the Company.

The Company has adopted an internal compliance code to guide and advise Directors and all executives of the Company with regard to dealing in the Company's securities. The Directors and executives shall not deal in the Company's shares on short-term considerations or if they are in possession of price sensitive information and during the period commencing one (1) month prior to each announcement of half-year and full-year financial results by the Company and ending on the date of the announcement of the results. Directors and executives are also expected to observe insider-trading laws all times even when dealing in securities within permitted trading periods.

## NON-SPONSOR FEE

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**").

There was no non-sponsor fee paid to the Sponsor in FY2011.

## AUDIT AND NON-AUDIT FEES

The aggregate amount of fees paid to the external auditors of the Company, broken down into audit and non-audit services during FY2011 are as followed:

| | | |
|---|---|---|
| Audit fees | : | S$66,000 |
| Non-audit fees in relation to review of half-year announcement | : | S$5,000 |

## TREASURY SHARES

There are no treasury shares at the end of the financial year ended 31 December 2011.

## INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that these transactions are conducted at arm's length basis and are not prejudicial to the interests of the Company and its minority shareholders.

Save for the updated list of ongoing interested person transactions as referred to the Company's Offer Document dated 25 June 2010 set out below, there were no other interested person transactions entered into during FY2011, pursuant to Rule 907 of the Catalist Rules.

| Financial Institution and Borrower | Guarantor | Details of Facilities | Largest Amount Guaranteed (S$) | Amount Outstanding as at 31 December 2011 (S$) |
|---|---|---|---|---|
| ECICS Limited in favour of CCM Industrial | Liew Sen Keong, Chan Tien Chih and Chan Pui Yee | Paint warranties | 38,626 | 38,626 |
| EQ Insurance Company Limited in favour of CCM Industrial | Liew Sen Keong, Chan Tien Chih and Chan Pui Yee | Performance bonds and paint warranties | 2,432,955 | 306,110 |
| First Capital Insurance Limited in favour of CCM Industrial | Liew Sen Keong, Chan Tien Chih and Chan Pui Yee | Performance bonds and paint warranties | 413,496 | 174,816 |
| SHC Capital Limited in favour of CCM Industrial | Liew Sen Keong, Chan Tien Chih and Chan Pui Yee | Performance bonds and paint warranties | 1,404,487 | 295,808 |
| QBE Issurance in favour of CCM Industrial | Liew Sen Keong, Chan Tien Chih and Chan Pui Yee | Performance bonds and paint warranties | 95,309 | 95,309 |

## USE OF IPO PROCEEDS UPDATE

| Purpose | Amount allocated S$'000 | Amount used as at 26 March 2012 S$'000 | Amount Unutilised as at 26 March 2012 S$'000 |
|---|---|---|---|
| Purchase of new equipment and machinery | 800 | (210) | 590 |
| Exploration of strategic alliances and/or joint ventures to manufacture access equipment for sale and distribution and/or internal use | 500 | – | 500 |
| Expansion of business into the Asia-Pacific region | 500 | (200) | 300 |
| Obtaining a higher financial grading for building development | 800 | (800) | – |
| Exploring opportunities in mergers and acquisitions, joint ventures and strategic alliances | 500 | – | 500 |
| Working capital | 597 | (597) | – |
| | **3,697** | **(1,807)** | **1,890** |

# Report of the Directors

The directors are pleased to present their report to the members together with the audited consolidated financial statements of CCM Group Limited (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2011.

## Directors

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

Liew Sen Keong
Chan Pui Yee
Chan Tien Chih
Lai Chin Yee
Aloysius Wee Meng Seng
Dr. Tan Eng Khiam

## 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 objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations as stated below:

| | Direct interest | |
|---|---|---|
| **Name of director** | **At the beginning of financial year** | **At the end of financial year** |
| ***Ordinary shares of the Company*** | | |
| Liew Sen Keong | 47,200,000 | 47,200,000 |
| Chan Pui Yee | 5,900,000 | 5,900,000 |
| Chan Tien Chih | 5,900,000 | 5,900,000 |

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2012.

By virtue of Section 7 of the Companies Act, Liew Sen Keong is deemed to be interested in the shares held by the Company in its subsidiaries.

Liew Sen Keong is the husband of Chan Pui Yee. As both Liew Sen Keong and Chan Pui Yee are directors, by virtue of Section 164 (15)(a) of the Companies Act, they are not deemed to be interested in the shares held by the other.

**Directors' interests in shares or debentures (cont'd)**

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 at the end of the financial year.

**Directors' contractual benefits**

Except as disclosed in the financial statements, since the end of the previous financial period, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a Company in which the director has a substantial financial interest.

**Options**

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2011, there are no options on the unissued shares of the Company or its subsidiaries which were outstanding.

**Audit committee**

The Audit Committee comprises the following members, who are all non-executive and Independent Directors. The members of the Audit Committee during the financial year and at the date of this report are:

Lai Chin Yee (Chairperson)
Aloysius Wee Meng Seng
Dr. Tan Eng Khiam

The Audit Committee performs the functions specified in Section 201B(5) of the Act. In performing those functions, the Audit Committee reviewed the audit plans and the overall scope of examination by the external auditors of the Group and of the Company. The Audit Committee also reviewed the independence of the external auditors of the Company and the nature and extent of the non-audit services provided by the external auditors.

The Audit Committee also reviewed the assistance provided by the Company's officers to the external auditors and the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as well as the Independent Auditors' Report thereon prior to their submission to the Directors of the Company for adoption and reviewed the interested person transactions as defined in Chapter 9 of the Listing Manual – Rules of Catalist of the Singapore Exchange Securities Trading Limited.

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

The Audit Committee has recommended to the Board of Directors the nomination of Ernst & Young LLP, for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has carried out an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors prior to recommending their recommendation.

# Report of the Directors

**Auditors**

In appointing the auditing firms for the Company and its subsidiaries, the Directors have complied with Rules 712 and 715 of the Catalist Rules.

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors:

Liew Sen Keong
Director

Chan Pui Yee
Director

Singapore
26 March 2012

# Statement by Directors

We, Liew Sen Keong and Chan Pui Yee, being two of the directors of CCM Group Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

(ii) 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.

On behalf of the board of directors:

Liew Sen Keong
Director

Chan Pui Yee
Director

Singapore
26 March 2012

# Independent Auditor’s Report

*To the Members of CCM Group Limited*

**Report on the Financial Statements**

We have audited the accompanying financial statements of CCM Group Limited (the Company) and its subsidiaries (collectively, the Group) set out on pages 38 to 82, which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility 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 Singapore Companies Act, Chapter 50 (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 profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

# Independent Auditor's Report

*To the Members of CCM Group Limited*

**Report on Other Legal and Regulatory Requirements**

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

26 March 2012

# Consolidated Statement of Comprehensive Income

*For the financial year ended 31 December 2011*
*(Amounts in Singapore dollars)*

| | Note | 2011<br>$ | 2010<br>$ |
|---|---|---|---|
| **Revenue** | 4 | 45,509,148 | 51,616,942 |
| Cost of sales | | (43,958,606) | (44,690,956) |
| **Gross profit** | | 1,550,542 | 6,925,986 |
| **Other items of income** | | | |
| Finance income | 6 | 10,031 | – |
| Other income | 5 | 42,548 | 59,897 |
| **Other items of expense** | | | |
| Other expenses | 5 | – | (210,598) |
| Marketing expenses | | (154,802) | (249,027) |
| Administrative expenses | | (5,212,251) | (5,086,527) |
| Finance costs | 6 | (188,369) | (413,041) |
| **(Loss)/profit before tax** | 7 | (3,952,301) | 1,026,690 |
| Income tax credit/(expense) | 9 | 179,136 | (496,138) |
| **(Loss)/profit net of tax** | | (3,773,165) | 530,552 |
| **Total comprehensive income for the year attributable to owners of the Company** | | (3,773,165) | 530,552 |
| **(Loss)/earnings per ordinary share (cents per share)** | | | |
| - Basic and diluted | 26 | (4.09) | 0.93 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Balance Sheets

*As at 31 December 2011*
*(Amounts in Singapore dollars)*

| | Note | Group 2011 $ | Group 2010 $ | Company 2011 $ | Company 2010 $ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 6,053,324 | 3,363,695 | – | – |
| Investment in subsidiaries | 11 | – | – | 14,769,162 | 5,569,162 |
| Other receivables | 13 | – | 46,000 | – | – |
| | | 6,053,324 | 3,409,695 | 14,769,162 | 5,569,162 |
| **Current assets** | | | | | |
| Gross amount due from customers for contract work-in-progress | 12 | 7,225,327 | 8,723,897 | – | – |
| Trade and other receivables | 13 | 6,883,615 | 6,247,824 | 140,170 | 6,215 |
| Prepayments | | 175,653 | 49,013 | 7,950 | – |
| Bank deposits pledged | 14 | 2,310,366 | 1,300,000 | 1,306,277 | 300,000 |
| Cash and bank balances | 14 | 1,153,405 | 2,300,085 | 336,697 | 2,033,066 |
| | | 17,748,366 | 18,620,819 | 1,791,094 | 2,339,281 |
| **Total assets** | | 23,801,690 | 22,030,514 | 16,560,256 | 7,908,443 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 15 | 12,817,320 | 8,306,613 | 5,696,796 | 69,022 |
| Other liabilities | 16 | 501,458 | 644,979 | 151,875 | 95,121 |
| Loans and borrowings | 17 | 1,806,498 | 1,453,334 | 157,423 | – |
| Income tax payable | | 13,110 | 472,520 | – | – |
| | | 15,138,386 | 10,877,446 | 6,006,094 | 164,143 |
| **Net current assets/(liabilities)** | | 2,609,980 | 7,743,373 | (4,215,000) | 2,175,138 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 17 | 2,438,450 | 960,939 | 305,146 | – |
| Deferred tax liabilities | 18 | – | 194,110 | – | – |
| | | 2,438,450 | 1,155,049 | 305,146 | – |
| **Total liabilities** | | 17,576,836 | 12,032,495 | 6,311,240 | 164,143 |
| **Net assets** | | 6,224,854 | 9,998,019 | 10,249,016 | 7,744,300 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 19 | 9,564,592 | 9,564,592 | 9,564,592 | 9,564,592 |
| Merger reserves | | (2,569,162) | (2,569,162) | – | – |
| Retained earnings | | (770,576) | 3,002,589 | 684,424 | (1,820,292) |
| **Total equity** | | 6,224,854 | 9,998,019 | 10,249,016 | 7,744,300 |
| **Total equity and liabilities** | | 23,801,690 | 22,030,514 | 16,560,256 | 7,908,443 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Statements of Changes in Equity

*For the financial year ended 31 December 2011*
*(Amounts in Singapore dollars)*

| | | Attributable to owners of the Company | | |
|---|---|---|---|---|
| | **Equity, total** | **Share capital (Note 19)** | **Retained earnings** | **Merger reserves** |
| | $ | $ | $ | $ |
| **2011** | | | | |
| **Group** | | | | |
| **Opening balance at 1 January 2011** | **9,998,019** | **9,564,592** | **3,002,589** | **(2,569,162)** |
| Loss for the year, representing total comprehensive income for the year | (3,773,165) | – | (3,773,165) | – |
| **Closing balance at 31 December 2011** | **6,224,854** | **9,564,592** | **(770,576)** | **(2,569,162)** |
| | | | | |
| **2010** | | | | |
| **Group** | | | | |
| **Opening balance at 1 January 2010** | **3,472,039** | **1,000,002** | **2,472,037** | **–** |
| Profit for the year, representing total comprehensive income for the year | 530,552 | – | 530,552 | – |
| <u>Contributions by and distributions to owners</u> | | | | |
| Adjustment pursuant to the restructuring exercise | (3,569,162) | (1,000,000) | – | (2,569,162) |
| Issuance of new ordinary shares pursuant to the restructuring exercise | 3,569,162 | 3,569,162 | – | – |
| Share-based compensation expense | 310,800 | 310,800 | – | – |
| Conversion of convertible loan | 1,333,200 | 1,333,200 | – | – |
| Issuance of new ordinary shares pursuant to the IPO | 5,000,000 | 5,000,000 | – | – |
| Share issue expenses | (648,572) | (648,572) | – | – |
| Total contributions by and distributions to owners | 5,995,428 | 8,564,590 | – | (2,569,162) |
| **Closing balance at 31 December 2010** | **9,998,019** | **9,564,592** | **3,002,589** | **(2,569,162)** |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Statements of Changes in Equity

*For the financial year ended 31 December 2011*
*(Amounts in Singapore dollars)*

| | Equity, total $ | Share capital (Note 19) $ | Retained earnings $ |
|---|---|---|---|
| **2011** | | | |
| **Company** | | | |
| **Opening balance at 1 January 2011** | **7,744,300** | **9,564,592** | **(1,820,292)** |
| Profit for the year, representing total comprehensive income for the year | 2,504,716 | – | 2,504,716 |
| **Closing balance at 31 December 2011** | **10,249,016** | **9,564,592** | **684,424** |
| | | | |
| **2010** | | | |
| **Company** | | | |
| **Opening balance at 9 September 2009 (date of incorporation)** | 2 | 2 | – |
| Loss for the year, representing total comprehensive income for the period | (1,820,292) | – | (1,820,292) |
| Contributions by and distributions to owners | | | |
| Issuance of new ordinary shares pursuant to the restructuring exercise | 3,569,162 | 3,569,162 | – |
| Share-based compensation expense | 310,800 | 310,800 | – |
| Conversion of convertible loan | 1,333,200 | 1,333,200 | – |
| Issuance of new ordinary shares pursuant to the IPO | 5,000,000 | 5,000,000 | – |
| Share issue expenses | (648,572) | (648,572) | – |
| Total contributions by and distributions to owners | 9,564,590 | 9,564,590 | – |
| **Closing balance at 31 December 2010** | **7,744,300** | **9,564,592** | **(1,820,292)** |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Consolidated Cash Flow Statement

*For the financial year ended 31 December 2011*
*(Amounts in Singapore dollars)*

| | Note | 2011<br>$ | 2010<br>$ |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/profit before tax | | (3,952,301) | 1,026,690 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 1,072,126 | 731,151 |
| (Gain)/loss on disposal of property, plant and equipment | | (12,590) | 9,801 |
| Share-based compensation expense | | – | 310,800 |
| Fair value loss on derivative financial liability | | – | 210,598 |
| Bad debts written off | | 232,112 | 15,739 |
| Allowance for doubtful trade receivables | | – | 3,422 |
| Finance costs | | 188,369 | 413,041 |
| Finance income | | (10,031) | – |
| Share issue expenses | | – | 775,918 |
| Total adjustments | | 1,469,986 | 2,470,470 |
| **Operating cash flows before changes in working capital** | | (2,482,315) | 3,497,160 |
| Changes in working capital: | | | |
| (Increase)/decrease in trade and other receivables | | (821,904) | 1,126,940 |
| Increase in prepayments | | (126,640) | (14,461) |
| Decrease/(increase) in gross amount due from customers for contract work-in-progress | | 1,498,570 | (4,070,885) |
| Increase in trade and other payables | | 4,510,707 | 3,122,985 |
| (Decrease)/increase in other liabilities | | (143,521) | 245,378 |
| Total changes in working capital | | 4,917,212 | 409,957 |
| **Cash flows generated from operations** | | 2,434,897 | 3,907,117 |
| Interest received | | 10,031 | – |
| Interest paid | | (188,369) | (290,438) |
| Income tax paid | | (474,384) | (448,728) |
| **Net cash flows generated from operating activities** | | 1,782,175 | 3,167,951 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 10 | (1,689,965) | (471,619) |
| Proceeds from disposal of property, plant and equipment | | 113,000 | 3,899 |
| **Net cash flows used in investing activities** | | (1,576,965) | (467,720) |
| **Financing activities** | | | |
| Proceeds from loans and borrowings | | 2,676,000 | – |
| Increase in bank deposits pledged | | (1,010,366) | (1,300,000) |
| Repayments of loans and borrowings | | (1,548,610) | (1,396,671) |
| Repayments of obligations under finance leases | | (967,137) | (809,921) |
| Proceeds from convertible loans | | – | 1,000,000 |
| Proceeds from issuance of new ordinary shares pursuant to the IPO | | – | 5,000,000 |
| Share issue expenses | | – | (1,424,490) |
| **Net cash flows generated from financing activities** | | (850,113) | 1,068,918 |
| **Net (decrease)/increase in cash and cash equivalents** | | (644,903) | 3,769,149 |
| **Cash and cash equivalents at 1 January** | | 1,683,280 | (2,085,869) |
| **Cash and cash equivalents at 31 December** | 14 | 1,038,377 | 1,683,280 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 1. Corporate Information

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

The registered office and principal place of business of the Company is located at 64, Woodlands Industrial Park E9, Singapore 757833.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 11.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet 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 $).

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

### 2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but are not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to FRS 107 *Disclosures – Transfers of Financial Assets* | 1 July 2011 |
| Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets* | 1 January 2012 |
| Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* | 1 July 2012 |
| Revised FRS 19 *Employee Benefits* | 1 January 2013 |
| Revised FRS 27 *Separate Financial Statements* | 1 January 2013 |
| Revised FRS 28 *Investments in Associates and Joint Ventures* | 1 January 2013 |
| FRS 110 *Consolidated Financial Statements* | 1 January 2013 |
| FRS 111 *Joint Arrangements* | 1 January 2013 |
| FRS 112 *Disclosure of Interests in Other Entities* | 1 January 2013 |
| FRS 113 *Fair Value Measurements* | 1 January 2013 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

**2. Summary of significant accounting policies (cont'd)**

2.3 ***Standards issued but not yet effective (cont'd)***

Except for the Amendments to FRS 1, the directors expect that the adoption of the other standards and interpretations 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 the Amendments to FRS 1 is described below.

*Amendments to FRS 1 Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

2.4 ***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 and dividends 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 controls 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; and
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 *Basis of consolidation and business combinations (cont'd)*

B) Business combinations

Business combinations from 1 January 2010

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 periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) 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

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.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

**2. Summary of significant accounting policies (cont'd)**

2.4 ***Basis of consolidation and business combinations (cont'd)***

B) Business combinations (cont'd)

<u>Business combinations prior to 1 January 2010</u>

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

2.5 ***Functional and foreign currency***

(a) Functional currency

The Group's 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.

(b) Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition 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 determined.

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.

## 2. Summary of significant accounting policies (cont'd)

### 2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.16. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset, after taking into account the estimated residual value. The estimated useful lives are as follows:

| | **Years** |
|---|---|
| Access equipment systems | 7 |
| Yard equipment | 5 |
| Motor vehicles | 10 |
| Furniture and fittings | 5 |
| Office equipment | 3-5 |
| Plant equipment | 10 |
| Dormitory | 6 |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, 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 de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

**2. Summary of significant accounting policies (cont'd)**

2.7 ***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 such indication exists, or when annual impairment assessment 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 to sell 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. 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

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.

2.8 ***Subsidiaries***

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses.

## 2. Summary of significant accounting policies (cont'd)

### 2.9 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:

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.

*Derecognition*

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.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

### 2.10 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

*Financial assets carried at amortised cost*

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.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

**2. Summary of significant accounting policies (cont'd)**

2.10 ***Impairment of financial assets (cont'd)***

*Financial assets carried at amortised cost (cont'd)*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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 assets 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 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.

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.

2.11 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.12 ***Construction contracts***

The Group principally enters into fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

## 2. Summary of significant accounting policies (cont'd)

### 2.12 *Construction contracts (cont'd)*

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.

The stage of completion is determined by reference to professional surveys of work performed.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any 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.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- The separate proposals have been submitted for each asset
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset
- The costs and revenues of each asset can be identified

A group of contracts are treated as a single construction contract when:

- The group of contracts is negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin
- The contracts are performed concurrently or in a continuous sequence

### 2.13 *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 an outflow of economic resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate.  If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 2. Summary of significant accounting policies (cont'd)

### 2.14 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### 2.15 *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 Company 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*

The measurement of financial liabilities depends on their classification as follows:

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

<u>Other financial liabilities</u>

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

*Derecognition*

A financial liability is derecognised 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.

## 2. Summary of significant accounting policies (cont'd)

### 2.16 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.17 *Employee benefits*

*Defined contribution plans*

The Group makes contribution to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

### 2.18 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) *As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, 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 and 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 Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement 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.

**2. Summary of significant accounting policies (cont'd)**

2.18 ***Leases (cont'd)***

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.19(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.19 ***Revenue***

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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Construction contract income*

Revenue from construction contracts is recognised by reference to the stage of completion at the balance sheet date. The stage of completion is determined by reference to professional surveys of work performed. Please refer to Note 2.12 to the financial statements for more details.

(b) *Rental income*

Rental income arising on access equipment systems is accounted for on a straight-line basis over the lease terms.

2.20 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## 2. Summary of significant accounting policies (cont'd)

### 2.20 *Taxes (cont'd)*

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductiable temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit not taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

**2. Summary of significant accounting policies (cont'd)**

2.20 ***Taxes (cont'd)***

(c) *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.

2.21 ***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 25, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.22 ***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.

2.23 ***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

(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.

## 2. Summary of significant accounting policies (cont'd)

### 2.24 *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 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 a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) 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).

## 3. Significant accounting judgments and estimates

The preparation of the Group's 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 could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

**3. Significant accounting judgments and estimates (cont'd)**

3.1 ***Judgments made in applying accounting policies***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(a) *Income taxes*

The Group has exposure to income taxes in Singapore. Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current tax payable and deferred tax liabilities as at 31 December 2011 are $13,110 (2010: $472,520) and $nil (2010: $194,110) respectively.

(b) *Capitalisation of contract costs*

Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. However, costs that relate directly to a contract and which are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

During the year, the Group capitalised approximately $609,000 as gross amount due from customers for contract work-in-progress in relation to cost incurred in the course of securing construction contracts. In making this judgment, the Group evaluates the probability of securing the contract.

(c) *Contingent liabilities*

The Group has exposure to legal claims with third parties. Significant judgement is involved in determining the probability of an outflow of resources embodying economic benefits and the amount required to settle the obligation.

Contingent liabilities arising from legal claims are disclosed in Note 27.

**3. Significant accounting judgments and estimates (cont'd)**

3.2 ***Key sources of estimation uncertainty***

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

(a) *Useful lives of property, plant and equipment*

All items of property, plant and equipment are depreciated on a straight-line basis over their respective estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of the these assets of the Group at the end of each reporting period is disclosed in Note 10 to the financial statements. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1% (2010: 7%) variance in the Group's loss (2010: profit) for the year.

(b) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 13.

(c) *Construction contracts*

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the stage of completion method depending on whether the outcome of the contract can be measured reliably. The stage of completion is measured by reference to professional surveys of work performed. Estimation is required in determining the estimated total contract revenue and estimated total contract cost, as well as the recoverability of the contract cost incurred.

Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgment, the Group relies on past experience and/or the work of relevant professionals.

Estimated total contract cost for construction contract comprises direct costs attributable to the construction of each project. In estimating the total budgeted costs for construction contracts, management makes reference to information such as current offers from contractors and suppliers, recent offers agreed with contractors and suppliers, and professional estimation on construction and material costs as well as its past experience.

The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date are disclosed in Note 12.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 4. Revenue

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | $ | $ |
| Revenue from construction contracts | 44,550,558 | 50,181,762 |
| Revenue from rental of access equipment systems | 958,590 | 1,435,180 |
| | 45,509,148 | 51,616,942 |

## 5. Other income and expenses

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | $ | $ |
| *Other income:* | | |
| - Commission income | – | 34,167 |
| - Grant income from Jobs Credit Scheme | – | 17,490 |
| - Project management income | 18,280 | – |
| - Gain on disposal of property, plant and equipment | 12,590 | – |
| - Foreign exchange gain | 5,539 | – |
| - Others | 6,139 | 8,240 |
| | 42,548 | 59,897 |
| *Other expense:* | | |
| - Fair value loss on derivative financial liability | – | 210,598 |

Grant income from Jobs Credit Scheme

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Government extended the Scheme with another two payments at stepped-down rates of 6% and 3% in March and June 2010 respectively. During the financial year ended 31 December 2010, the Group received $17,490 from the Scheme.

## 6. Finance income and costs

| | Group 2011 $ | Group 2010 $ |
|---|---|---|
| *Financial income:* | | |
| Interest income from bank balance | 10,031 | – |
| *Financial costs:* | | |
| Interest expense on: | | |
| - Bank overdraft | 75,201 | 72,631 |
| - Obligations under finance leases | 77,286 | 121,370 |
| - Bank loans | 35,882 | 96,438 |
| - Convertible loan | – | 122,602 |
| | 188,369 | 413,041 |

## 7. (Loss)/Profit before tax

The following items have been included in arriving at (loss)/profit before tax:

| | Note | Group 2011 $ | Group 2010 $ |
|---|---|---|---|
| Audit fees paid to auditors of the Group: | | | |
| - Audit services | | 66,000 | 62,000 |
| - Audit-related services | | 5,000 | 150,789 |
| - Non-audit services | | – | – |
| Total audit and non-audit fees | | 71,000 | 212,789 |
| Depreciation of property, plant and equipment | | 1,072,126 | 731,151 |
| Employee benefits * | 8 | 4,071,320 | 3,447,705 |
| Operating lease expense | | 186,324 | 173,904 |
| Allowance for doubtful trade receivables | | – | 3,422 |
| Loss on disposal of property, plant and equipment | | – | 9,801 |
| Bad debts written off | | 232,112 | 15,739 |

* Includes directors' remuneration and remuneration of key management personnel as disclosed in Note 20(b) to the financial statements.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 8. Employee benefits

| | Group 2011 $ | Group 2010 $ |
|---|---|---|
| Salaries, wages and bonuses | 3,774,083 | 3,235,608 |
| Central Provident Fund contributions | 297,237 | 212,097 |
| | 4,071,320 | 3,447,705 |

## 9. Income tax

Major components of income tax expense

The major components of income tax (credit)/expense for the financial years ended 31 December 2011 and 2010 are:

| | Note | Group 2011 $ | Group 2010 $ |
|---|---|---|---|
| **Statement of consolidated comprehensive income:** | | | |
| Current income tax | | | |
| - Current income taxation | | – | 452,028 |
| - Under provision in respect of previous years | | 14,974 | – |
| Deferred income tax | 18 | | |
| - Origination and reversal of temporary differences | | (194,110) | 44,110 |
| Income tax (credit)/expense recognised in profit or loss | | (179,136) | 496,138 |

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

| | 2011 | 2010 |
|---|---|---|
| (Loss)/profit before tax | (3,952,301) | 1,026,690 |
| Tax at the applicable domestic tax rate of 17% | (671,891) | 174,537 |
| *Adjustments:* | | |
| - Non-deductible expenses | 278,748 | 350,499 |
| - Effect of partial tax exemption | (645) | (25,925) |
| - Income not subject to taxation | – | (2,973) |
| - Under provision in respect of previous years | 14,974 | – |
| - Deferred tax assets not recognised | 199,428 | – |
| - Others | 250 | – |
| Income tax (credit)/expense recognised in profit or loss | (179,136) | 496,138 |

## 9. Income tax (cont'd)

The tax effect of the nature of expenses that are not deductible for income tax purpose are as follows:

| | Group 2011 $ | Group 2010 $ |
|---|---|---|
| Non-statutory expenses | 170,058 | 292,938 |
| Depreciation expenses for non-qualifying assets | 41,400 | 25,172 |
| Bad debts expenses | 39,459 | – |
| Private car expenses | 20,997 | 18,852 |
| Others | 8,974 | 13,537 |
| | 280,888 | 350,499 |

## 10. Property, plant and equipment

| | Motor vehicles $ | Furniture and fittings $ | Office equipment $ | Yard equipment $ | Access equipment systems $ | Plant equipment $ | Dormitory $ | Total $ |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2010 | 1,807,370 | 75,827 | 100,547 | 192,006 | 3,306,761 | – | – | 5,482,511 |
| Additions | 139,590 | 5,000 | 158,666 | 31,360 | – | – | 264,603 | 599,219 |
| Disposals | (43,273) | (10,040) | (26,670) | (8,637) | – | – | – | (88,620) |
| At 31 December 2010 and 1 January 2011 | 1,903,687 | 70,787 | 232,543 | 214,729 | 3,306,761 | – | 264,603 | 5,993,110 |
| Additions | 74,450 | 11,010 | 193,757 | 403,810 | – | 2,333,164 | 845,974 | 3,862,165 |
| Disposals | (168,367) | – | – | – | – | – | – | (168,367) |
| At 31 December 2011 | 1,809,770 | 81,797 | 426,300 | 618,539 | 3,306,761 | 2,333,164 | 1,110,577 | 9,686,908 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2010 | 411,742 | 60,342 | 47,343 | 130,430 | 1,323,327 | – | – | 1,973,184 |
| Charge for the year | 185,546 | 11,172 | 35,830 | 32,312 | 466,291 | – | – | 731,151 |
| Disposals | (29,853) | (10,038) | (26,396) | (8,633) | – | – | – | (74,920) |
| At 31 December 2010 and 1 January 2011 | 567,435 | 61,476 | 56,777 | 154,109 | 1,789,618 | – | – | 2,629,415 |
| Charge for the year | 180,213 | 6,983 | 104,300 | 102,596 | 463,618 | 32,448 | 181,968 | 1,072,126 |
| Disposals | (67,957) | – | – | – | – | – | – | (67,957) |
| At 31 December 2011 | 679,691 | 68,459 | 161,077 | 256,705 | 2,253,236 | 32,448 | 181,968 | 3,633,584 |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2010 | 1,336,252 | 9,311 | 175,766 | 60,620 | 1,517,143 | – | 264,603 | 3,363,695 |
| At 31 December 2011 | 1,130,079 | 13,338 | 265,223 | 361,834 | 1,053,525 | 2,300,716 | 928,609 | 6,053,324 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 10. Property, plant and equipment (cont'd)

***Assets held under finance lease***

(a) During the financial years ended 31 December 2011 and 2010, the cash outflows on purchase of plant and equipment were as follows:

| | Group 2011 $ | Group 2010 $ |
|---|---|---|
| Aggregate cost of property, plant and equipment acquired | 3,862,165 | 599,219 |
| Less: Acquired by means of finance lease | (2,172,200) | (127,600) |
| Cash outflow on acquisition of property, plant and equipment | 1,689,965 | 471,619 |

(b) As at 31 December 2010 and 2011, the carrying amount of property, plant and equipment held under finance leases were as follows:

| | | |
|---|---|---|
| Motor vehicles | 1,127,924 | 1,333,723 |
| Access equipment systems | – | 1,204,762 |
| Plant equipment | 2,100,000 | – |
| | 3,227,924 | 2,538,485 |

Leased assets are pledged as security for the related finance lease liabilities.

## 11. Investment in subsidiaries

| | Company 2011 $ | Company 2010 $ |
|---|---|---|
| Unquoted equity shares, at cost | 14,769,162 | 5,569,162 |

The Company had the following subsidiaries as at 31 December:

| Name of company | Country of incorporation | Principal activities | Proportion (%) of ownership interest 2011 | Proportion (%) of ownership interest 2010 |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| CCM Industrial Pte. Ltd.^ | Singapore | Supply and installation of access equipment systems as well as general building works for residential and commercial buildings | 100 | 100 |
| CCM Development Pte. Ltd.^ | Singapore | Investment holding for the Group's overseas development projects | 100 | – |
| CCM Manufacturing Pte. Ltd.^ | Singapore | Manufacturing and distribution of access equipment systems | 100 | – |

^ Audited by Ernst & Young LLP, Singapore

## 12. Gross amount due from customers for contract work-in-progress

| | Group 2011 $ | Group 2010 $ | Company 2011 $ | Company 2010 $ |
|---|---|---|---|---|
| Aggregate contract costs incurred and recognised profits (less recognised losses) to-date | 118,856,534 | 77,813,024 | – | – |
| Less: Progress billings | (111,631,207) | (69,089,127) | – | – |
| | 7,225,327 | 8,723,897 | – | – |
| *Presented as:* | | | | |
| Gross amount due from customers for contract work | 7,225,327 | 8,723,897 | – | – |
| Retention sums on construction contract included in trade receivables | 1,675,411 | – | – | – |

## 13. Trade and other receivables

| | Note | Group 2011 $ | Group 2010 $ | Company 2011 $ | Company 2010 $ |
|---|---|---|---|---|---|
| ***Trade and other receivables (current)*** | | | | | |
| Trade receivables | | 4,588,260 | 4,806,702 | – | – |
| Other receivables | | 1,615,123 | 805,549 | 3,765 | 6,215 |
| Refundable deposits | | 680,232 | 635,573 | – | – |
| Amounts due from subsidiaries (non-trade) | | – | – | 136,405 | – |
| | | 6,883,615 | 6,247,824 | 140,170 | 6,215 |
| ***Other receivables (non-current)*** | | | | | |
| Refundable deposits | | – | 46,000 | – | – |
| ***Total trade and other receivables (current and non-current)*** | | 6,883,615 | 6,293,824 | 140,170 | 6,215 |
| Add: Cash and short-term deposits | 14 | 3,463,771 | 3,600,085 | 1,642,974 | 2,333,066 |
| Total loans and receivables | | 10,347,386 | 9,893,909 | 1,783,144 | 2,339,281 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 13. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables

Other receivables mainly relate to advances made for material and labour costs to the Group's sub-contractors.

Refundable deposits

Refundable deposits mainly relate to non-interest bearing cash collateral placed with insurers for the Group's performance bonds.

Related party balances (non-trade)

Amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $1,192,162 (2010: $1,193,316) 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:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| *Trade receivables past due but not impaired:* | | | | |
| Lesser than 30 days | 950,815 | 109,472 | – | – |
| 30 days to 120 days | 117,356 | 140,262 | – | – |
| 121 days to a year | 118,036 | 48,882 | – | – |
| More than a year | 5,955 | 894,700 | – | – |
| | 1,192,162 | 1,193,316 | – | – |

## 13. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| Trade receivables - nominal amounts | 3,422 | 3,422 | – | – |
| Less: Allowance for doubtful trade receivables | (3,422) | (3,422) | – | – |
| | – | – | – | – |
| Movement in allowance accounts: | | | | |
| At 1 January | (3,422) | – | – | – |
| Charge for the year | – | (3,422) | | – |
| At 31 December | (3,422) | (3,422) | – | – |

Trade receivables 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.

There has been no movement in this allowance account for the account for the financial year ended 31 December 2011 (2010: charge of $3,422 for impairment loss).

## 14. Cash and short-term deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| Cash and bank balances | 1,153,405 | 2,300,085 | 336,697 | 2,033,066 |
| Bank deposits pledged | 2,310,366 | 1,300,000 | 1,306,277 | 300,000 |
| Cash and short-term deposits | 3,463,771 | 3,600,085 | 1,642,974 | 2,333,066 |

Bank deposits pledged as at 31 December 2011 of the Group and the Company amounting to $2,310,366 (2010: $1,300,000) and $1,306,277 (2010: $300,000) respectively are held in a designated bank account as a security for bank facilities. The weighted average effective interest rates as at 31 December 2011 for the Group and the Company were 0.3% (2010: $nil) and 0.38% (2010: $nil) respectively.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 14. Cash and short-term deposits (cont'd)

For the purpose of the cash flow statement, cash and cash equivalents comprise the following as at the end of reporting period:

| | Note | Group 2011 $ | Group 2010 $ |
|---|---|---|---|
| Cash and short-term deposits | | 3,463,771 | 3,600,085 |
| Less: Bank overdraft | 17 | (115,028) | (616,805) |
| Less: Bank deposits pledged | | (2,310,366) | (1,300,000) |
| Cash and cash equivalents | | 1,038,377 | 1,683,280 |

## 15. Trade and other payables

| | Note | Group 2011 $ | Group 2010 $ | Company 2011 $ | Company 2010 $ |
|---|---|---|---|---|---|
| Trade payables | | 7,600,000 | 4,956,855 | – | – |
| Other payables | | 5,195,563 | 3,277,033 | 35,663 | 69,022 |
| Amounts due to a director (non-trade) | | 21,757 | 72,725 | – | – |
| Amounts due to a subsidiary (non-trade) | | – | – | 5,661,133 | – |
| | | 12,817,320 | 8,306,613 | 5,696,796 | 69,022 |
| Add: Other current liabilities | 16 | 501,458 | 644,979 | 151,875 | 95,121 |
| Add: Loans and borrowings | 17 | 4,244,948 | 2,414,273 | 462,569 | – |
| Total financial liabilities carried at amortised costs | | 17,563,726 | 11,365,865 | 6,311,240 | 164,143 |

Trade payables/other payables

These amounts are non-interest bearing. Trade payables are normally settled on 60 to 90 days' terms while other payables are normally settled on 30 to 60 days' terms.

Related party balances (non-trade)

Amounts due to a director and amounts due to a subsidiary are unsecure, non-interest bearing, repayable on demand and are to be settled in cash.

## 16. Other liabilities

| | Group 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accrued operating expenses | 501,458 | 644,979 | 151,875 | 95,121 |

## 17. Loans and borrowings

| | Maturity | Group 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| ***Current:*** | | | | | |
| OCBC term loan | (*) | – | 25,313 | – | – |
| DBS term loan | (*) | 429,070 | 151,553 | – | – |
| SCB trade facility | (*) | 412,615 | – | – | – |
| Ethoz Capital term loan | (*) | 157,423 | – | 157,423 | – |
| Obligations under finance leases (Note 21) | (*) | 692,362 | 659,663 | – | – |
| Bank overdraft (Note 14) | On demand | 115,028 | 616,805 | – | – |
| | | 1,806,498 | 1,453,334 | 157,423 | – |
| ***Non-current:*** | | | | | |
| Ethoz Capital term loan | 2014 | 305,146 | – | 305,146 | – |
| Obligations under finance leases (Note 21) | 2013 - 2018 | 2,133,304 | 960,939 | – | – |
| | | 2,438,450 | 960,939 | 305,146 | – |
| Total loans and borrowings | | 4,244,948 | 2,414,273 | 462,569 | – |

(*) The maturity dates of the loans and borrowings are within twelve months from the financial year end.

*OCBC term loan*

This loan was fully repaid on 1 October 2011, bears interest at 1.12% (2010: 1.12%) below the Business Term Rate per annum and was secured by a personal guarantee from a director (Note 20(a)).

*DBS term loan*

This loan is fully repayable on 30 January 2012, bears interest at 5.25% (2010: 5.00%) per annum. Of the year end balances, $420,000 is secured by corporate guarantee by CCM Group Limited (Note 27) and the remaining $9,070 is secured by several joint guarantees by three directors (Note 20(a)).

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 17. Loans and borrowings (cont'd)

*SCB trade facility*

This trade facility for financing invoices bears interest at 0.5% per annum above Singapore Base Finance Rates ("SBFR") for Singapore dollar bills and 2.25% per annum above SBFR for foreign currency bills. It is secured by bank fixed deposits and a corporate guarantee by CCM Group Limited (Note 27).

*Ethoz Capital term loan*

This loan is fully repayable on 27 September 2014, bears interest at 3.80% per annum and is secured by corporate guarantee by CCM Industrial Pte. Ltd..

*Bank overdraft*

As at 31 December 2011, the DBS and SCB Overdraft Facility bear interest of 1.00% per annum above at the bank's Prime Leading Rate for the remaining amount of the facility. It is secured by bank fixed deposits and corporate guarantee by CCM Group Limited (Note 27).

As at 31 December 2010, the UOB Overdraft Facility bears interest at the bank's Prime Lending Rate for the first $300,000 and 1.00% per annum above the bank's Prime Lending Rate for the remaining amount of the facility. It is secured by bank deposits and a corporate guarantee by CCM Group Ltd (Note 27).

*Obligations under finance leases*

These obligations are secured by a charge over the leased plant and equipment (Note 10). The average discount rate implicit in the leases is 8.30% (2010: 7.50%) per annum.

## 18. Deferred tax liabilities

Deferred income tax as at 31 December relates to the following:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | $ | $ |
| **Deferred tax liabilities** | | |
| Differences in depreciation for tax purposes | – | (194,110) |
| | – | (194,110) |

<u>Unrecognised tax losses</u>

At the end of the reporting period, the Group has tax losses of approximately $1,166,000 (2010: $nil) that are available for offset against future taxable profits of the company in which the losses arose, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation in Singapore.

## 19. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | No. of shares | $ | No. of shares | $ |
| Issued and fully paid ordinary shares : | | | | |
| At 1 January 2011/ 9 September 2009 (date of incorporation) | 92,220,000 | 9,564,592 | 2 | 2 |
| Issuance of new ordinary shares pursuant to the restructuring exercise | – | – | 999,998 | 3,569,162 |
| | 92,220,000 | 9,564,592 | 1,000,000 | 3,569,164 |
| Share split [1] | – | – | 59,000,000 | 3,569,164 |
| Conversion of convertible loan [2] | – | – | 6,666,000 | 1,333,200 |
| Issuance of new ordinary shares pursuant to the Company's initial public offering | – | – | 26,554,000 | 5,310,800 |
| Share issue expenses | – | – | – | (648,572) |
| At 31 December | 92,220,000 | 9,564,592 | 92,220,000 | 9,564,592 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(1) Pursuant to a shareholders' resolution dated 27 May 2010, every one ordinary share in the share capital of the Company was sub-divided into 59 ordinary shares.

(2) Pursuant to the investment agreement entered into between the Company and the Pre-IPO Investors on 26 February 2010, the Company issued $1,000,000 convertible loan for cash to the Pre-IPO investors. On 22 June 2010, the Pre-IPO investors exercised their rights to convert the convertible loan into 6,666,000 shares in the Company at a discount of 25% to the initial public offering price.

On the initial recognition of the convertible loan, the carrying amount of the liability component is the residual amount after separating the embedded derivative. Interest expense and fair value adjustment on derivative financial liability is recognised in finance costs (Note 6) and other expense (Note 5) respectively. Upon the conversion of the convertible loan, the carrying amount of the liability component and derivative financial liability are derecognised and recorded in Share capital.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 20. Related party transactions

During the financial year, the Group had the following transactions with related parties, on terms agreed between the respective parties:

(a) ***Personal guarantees by directors***

As at 31 December 2011, certain directors of the Company have provided personal guarantees amounting to approximately $9,000 (2010: $177,000) to secure certain loans and borrowings of the Company as disclosed in Note 17.

As at 31 December 2011, certain directors of the Company have provided personal guarantees amounting to approximately $911,000 (2010: $4,666,000) to secure performance bonds and paint warranties of the Group.

As at 31 December 2011, certain directors of the Company have provided personal guarantees amounting to $Nil (2010: $685,000) as security bonds for the foreign workers of the Group.

Certain directors of the Company have provided personal guarantee for the rental of an office premise as disclosed in Note 21.

(b) ***Compensation of key management personnel***

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | $ | $ |
| Short-term employee benefits | 1,254,002 | 1,313,326 |
| Central Provident Fund contributions | 95,465 | 91,798 |
| | 1,349,467 | 1,405,124 |
| *Comprises amounts paid to:* | | |
| Directors of the Company | 780,922 | 699,124 |
| Other key management personnel | 568,545 | 706,000 |
| | 1,349,467 | 1,405,124 |

## 21. Commitments

(a) ***Operating lease commitments - as lessee***

On 31 April 2010, the Group entered into an operating lease relating to the rental of Canon copier machine for 60 months. On 5 July 2011, the Group entered into a commercial lease relating to the rental of an office premise. Future minimum lease payments under the operating lease at the balance sheet date are as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | $ | $ |
| Not later than one year | 214,919 | 101,439 |
| Later than one year but not later than five years | 342,853 | 37,200 |
| | 557,772 | 138,639 |

The lease of office premise has tenure of three years with a renewal option. The Group is restricted from subleasing the office premise to third parties without prior written consent of the landlord. In addition, either party may terminate the operating lease by giving three months' notice in writing to the other party.

Certain directors of the Group have provided personal guarantees to the landlord for all sums of money including but not limited to rent, service and conservancy charges, fees, penalties, interest and legal and other expenses which may be owing to the landlord by the Group (Note 20).

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2011 amounted to approximately $186,000 (2010: $174,000).

(b) ***Finance lease commitments***

The Group has finance leases for certain items of plant and equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Group | | | |
|---|---|---|---|---|
| | **2011** | | **2010** | |
| | **Minimum lease payments** | **Present value of payments (Note 17)** | **Minimum lease payments** | **Present value of payments (Note 17)** |
| | $ | $ | $ | $ |
| Within one year | 788,218 | 692,362 | 732,810 | 659,663 |
| After one year and not later than five years | 2,279,858 | 2,133,304 | 1,091,460 | 960,939 |
| Total minimum lease payments | 3,068,076 | 2,825,666 | 1,824,270 | 1,620,602 |
| Less: Amounts representing finance charges | (242,410) | – | (203,668) | – |
| Present value of minimum lease payments | 2,825,666 | 2,825,666 | 1,620,602 | 1,620,602 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 22. Financial risk management policies and objectives

The Group is 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 board of directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

### (a) *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 exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises 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 with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 13 to the financial statements.

Credit risk concentration profile

At the end of the reporting period, approximately 82% (2010: 85%) of the Group's trade receivables relates to five major customers located in Singapore.

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 record with the Group. Cash and short-term deposits 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.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 (Trade and other receivables).

## 22. Financial risk management policies and objectives (cont'd)

(b) ***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's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with various banks. In addition, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. At the end of the reporting period, approximately 43% (2010: 60%) of the Group's loans and borrowings (Note 17) will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

**Analysis of financial instruments by remaining contractual maturity**

The following tables summarise the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

| | One year or less<br>$ | One to five years<br>$ | Total<br>$ |
|---|---|---|---|
| **Group** | | | |
| **2011** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables | 6,883,615 | – | 6,883,615 |
| Cash and short-term deposits | 3,463,771 | – | 3,463,771 |
| Total undiscounted financial assets | 10,347,386 | – | 10,347,386 |
| ***Financial liabilities:*** | | | |
| Trade and other payables | (12,817,320) | – | (12,817,320) |
| Other liabilities | (501,458) | – | (501,458) |
| Loans and borrowings | (1,806,498) | (2,604,774) | (4,411,272) |
| Total undiscounted financial liabilities | (15,125,276) | (2,604,774) | (17,730,050) |
| Total net undiscounted financial liabilities | (4,777,890) | (2,604,774) | (7,382,664) |

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 22. Financial risk management policies and objectives (cont'd)

### (b) *Liquidity risk (cont')*

| | One year or less $ | One to five years $ | Total $ |
|---|---|---|---|
| **Group** | | | |
| **2010** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables | 6,247,824 | 46,000 | 6,293,824 |
| Cash and short term deposits | 3,600,085 | – | 3,600,085 |
| Total undiscounted financial assets | 9,847,909 | 46,000 | 9,893,909 |
| ***Financial liabilities:*** | | | |
| Trade and other payables | (8,306,613) | – | (8,306,613) |
| Other liabilities | (644,979) | – | (644,979) |
| Loans and borrowings | (1,526,481) | (1,091,460) | (2,617,941) |
| Total undiscounted financial liabilities | (10,478,073) | (1,091,460) | (11,569,533) |
| Total net undiscounted financial liabilities | (630,164) | (1,045,460) | (1,675,624) |

| | One year or less $ | One to five years $ | Total $ |
|---|---|---|---|
| **Company** | | | |
| **2011** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables | 140,170 | – | 140,170 |
| Cash and short-term deposits | 1,642,974 | – | 1,642,974 |
| Total undiscounted financial assets | 1,783,144 | – | 1,783,144 |
| ***Financial liabilities:*** | | | |
| Trade and other payables | (5,696,796) | – | (5,696,796) |
| Other liabilities | (151,875) | – | (151,875) |
| Loans and borrowings | (157,423) | (324,917) | (482,340) |
| Total undiscounted financial liabilities | (6,006,094) | (324,917) | (6,331,011) |
| Total net undiscounted financial liabilities | (4,222,950) | (324,917) | (4,547,867) |

## 22. Financial risk management policies and objectives (cont'd)

(b) ***Liquidity risk (cont')***

| | One year or less $ | One to five years $ | Total $ |
|---|---|---|---|
| **Company** | | | |
| **2010** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables | 6,215 | – | 6,215 |
| Cash and short-term deposits | 2,333,066 | – | 2,333,066 |
| Total undiscounted financial assets | 2,339,281 | – | 2,339,281 |
| ***Financial liabilities:*** | | | |
| Trade and other payables | (69,022) | – | (69,022) |
| Other liabilities | (95,121) | – | (95,121) |
| Total undiscounted financial liabilities | (164,143) | – | (164,143) |
| Total net undiscounted financial assets | 2,175,138 | – | 2,175,138 |

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and cash at bank balances. The Group's policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2010: 100) basis points lower/higher with all other variables held constant, the Group's profit after tax would have been $6,500 (2010: $9,900) higher/lower, arising mainly as a result of lower/higher interest expense on bank term loans. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility compared to prior years.

(d) ***Foreign currency risk***

The Group's operations are primarily conducted in its functional currency, SGD. The Group holds minimal cash and cash equivalents denominated in foreign currencies. The Group has not entered into any hedges.

As at the end of the reporting period, sensitivity analysis for foreign currency risk is not applicable as the Group maintains minimal balances in foreign currency and thus has minimal exposure to foreign currency risk.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 23. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

### (a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair values

*Trade and other receivables (Note 13), trade and other payables (Note 15), other liabilities (Note 16) and loans and borrowings except for non-current obligations under finance leases (Note 17).*

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

### (b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value are as follows:

| | Note | 2011<br>$<br>Carrying amount | 2011<br>$<br>Fair value | 2010<br>$<br>Carrying amount | 2010<br>$<br>Fair value |
|---|---|---|---|---|---|
| **Group** | | | | | |
| ***Financial liabilities:*** | | | | | |
| Loans and borrowings (non-current) | 17 | | | | |
| - Obligations under finance leases | | 2,133,304 | 2,089,525 | 960,939 | 965,618 |
| - Term loan | | 305,146 | 309,975 | – | – |

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

## 24. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, loans and borrowings, other current liabilities, less cash and short term deposits. Capital includes equity attributable to owners of the Group.

| | | Group | |
|---|---|---|---|
| | **Note** | **2011** | **2010** |
| | | $ | $ |
| Trade and other payables | 15 | 12,817,320 | 8,306,613 |
| Other liabilities | 16 | 501,458 | 644,979 |
| Loans and borrowings | 17 | 4,244,948 | 2,414,273 |
| Total debt | | 17,563,726 | 11,365,865 |
| Less: Cash and short-term deposits | 14 | (3,463,771) | (3,600,085) |
| Net debt | | 14,099,955 | 7,765,780 |
| Equity attributable to the owners of the Company | | 6,224,854 | 9,998,019 |
| Capital and net debt | | 20,324,809 | 17,763,799 |
| Gearing ratio | | 69% | 44% |

## 25. Segment reporting

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

(a) Main building works which involve the construction and development of hotel and office developments;

(b) General building works for residential and commercial buildings, such as additions and alterations, refurbishment, repairs and renovation works for residential and commercial building, lift-upgrading programmes; and

(c) Leasing and installation of access equipment system, such as metal scaffolding, gondolas, passenger hoist, tower cranes and mast climbing work platforms, for the building, marine and oil rig industries.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

## 25. Segment reporting (cont'd)

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Company financing (including finance costs) and income taxes are managed on a Company basis and are not allocated to operating segments.

The chief operating decision maker reviews the results of the segment using segment gross profit, segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

Geographical segments

There is no geographical segment information provided as the Group operates entirely in Singapore for the financial years ended 31 December 2011.

**Information about major customers**

Revenue from one major customer amounted to $8,110,000 (2010: $24,303,751), arising from sales by the main building works segment.

Revenue from one major customer amounted to $15,827,349 (2010: $4,285,580), arising from sales by the general building works segment.

| | Main building works | General building works | Access Equipment | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2011** | | | | |
| **Revenue** | 20,410,689 | 24,139,869 | 958,590 | 45,509,148 |
| **Results** | | | | |
| Segment gross profit/(loss) | 2,786,012 | (1,137,325) | (98,145) | 1,550,542 |

| | Main building works | General building works | Access Equipment | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2010** | | | | |
| **Revenue** | 33,539,513 | 16,642,250 | 1,435,179 | 51,616,942 |
| **Results** | | | | |
| Segment gross profit | 4,665,385 | 1,904,033 | 356,568 | 6,925,986 |

## 26. Earnings/Loss per share

Basic earnings per share are calculated by dividing the Group's net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company (after adjusting for interest expense and fair value loss on derivative financial liability on convertible loan) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the year ended 31 December 2010:

| | **2010** |
|---|---|
| | $ |
| Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share | 530,552 |
| Add back: Interest expense and fair value loss on derivative financial liability | 333,200 |
| Profit net of tax attributable to owners of the Company used in the computation of diluted earnings per share | 863,752 |

| | **No. of shares** |
|---|---|
| | '000 |
| Weighted average number of ordinary shares for basic earnings per share computation | 57,354 |
| Effects of dilution | |
| - Convertible loan | 3,872 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share computation | 61,226 |

As at end of the financial year, the basic and diluted loss per share are the same as there were no potential diluted ordinary shares in issue during the financial year.

## 27. Contingent liabilities

Legal claims

As at 31 December 2011, there was one claim (2010: nil claim) lodged by a customer against CCM Industrial Pte Ltd ("CCM Industrial") for the alleged overpayment of construction work and variation orders performed amounting to approximately $5,208,000 (2010: $nil). Subsequently, CCM Industrial filed a legal suit against the customer on the retention amount due, variation order claims and additional expenses incurred amounting to approximately $5,684,000 (2010: $nil). The carrying amount of the trade receivables balance of this customer is approximately $1,636,000 as at 31 December 2011. The matter is currently pending the necessary legal process.

# Notes to the Financial Statements

*For the financial year ended 31 December 2011*

**27. Contingent liabilities (cont'd)**

As at 31 December 2011, there was one claim (2010: nil claim) lodged by the sub-contractor of the aforementioned project against CCM Industrial in relation to additional work done as instructed by CCM Industrial amounting to approximately $3,269,000. CCM Industrial has countersued the sub-contractor in relation to delay and defects of the work performed amounting to approximately $4,691,000 (2010:$nil). The carrying amount of the other receivables balance representing back charge of certain expenses to the sub-contractor is approximately $465,000 as at 31 December 2011. The matter is currently pending the necessary legal process.

As at 31 December 2011, a demand for a contribution has been made by a Town Council for a claim brought by one plaintiff who is claiming damages for injuries suffered on a sheltered walkway. This matter has been referred to the Group's insurer who is handling the matter.

As at 31 December 2011, a former employee of the Group lodged a claim against the Group for the balance of an alleged commission for a project amounting to $57,000. A defence has been filed and the matter is currently pending the necessary legal process.

The directors are of the view that the claims are either without merits or for which it is not probable that an outflow of resources will be required to settle the obligation and accordingly, no provision is required to be made in the financial statements.

Guarantees

The Company has provided the following corporate guarantees to one of its subsidiary at the balance sheet date:

- Bank overdraft of $115,028 (2010: $616,805) (Note 17)
- Bank loan of $832,616 (2010: $151,553) (Note 17)
- Foreign workers indemnity of $1,190,000 (2010: $275,000)
- Performance bond and financial bond for various projects of $2,465,044 (2010: $1,265,059)

**28. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 26 March 2012.

# Statistics of Shareholdings

*As at 30 March 2012*

| | | |
|---|---|---|
| Issued and fully paid-up capital | : | $9,879,864.00 |
| Number of Issued Shares | : | 92,220,000 |
| Class of Shares | : | Ordinary Shares |
| Voting rights | : | One vote per ordinary share |

## TREASURY SHARES

The Company does not hold any treasury shares.

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 999 | 2 | 0.54 | 1,000 | 0.00 |
| 1,000 – 10,000 | 72 | 19.62 | 484,000 | 0.52 |
| 10,001 – 1,000,000 | 286 | 77.93 | 29,183,000 | 31.65 |
| 1,000,001 AND ABOVE | 7 | 1.91 | 62,552,000 | 67.83 |
| TOTAL | 367 | 100.00 | 92,220,000 | 100.00 |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1. | LIEW SEN KEONG | 42,700,000 | 46.30 |
| 2. | CHAN PUI YEE | 5,900,000 | 6.40 |
| 3. | CHAN TIEN CHIH (CHEN TIANCI) | 5,900,000 | 6.40 |
| 4. | LIM CHWEE KIM | 2,854,000 | 3.09 |
| 5. | OCBC SECURITIES PRIVATE LTD | 2,118,000 | 2.30 |
| 6. | KANG YEE YIN (JIANG YIYUN) | 1,970,000 | 2.14 |
| 7. | LOCKSON HYDRAULICS & ENGINEERING PTE LTD | 1,110,000 | 1.20 |
| 8. | KANG WEI FEN (JIANG HUIFEN) | 932,000 | 1.01 |
| 9. | YAP SAM MUI | 930,000 | 1.01 |
| 10. | WU BO | 900,000 | 0.98 |
| 11. | TAN BOAK WAH | 877,000 | 0.95 |
| 12. | LIM TIONG KHENG STEVEN | 749,000 | 0.81 |
| 13. | FRANCIS LEE FOOK WAH | 706,000 | 0.77 |
| 14. | SUN TIAN | 680,000 | 0.74 |
| 15. | UOB KAY HIAN PTE LTD | 650,000 | 0.70 |
| 16. | PHILLIP SECURITIES PTE LTD | 614,000 | 0.67 |
| 17. | NEO KENG HUA | 611,000 | 0.66 |
| 18. | YEAP LAM WAH | 609,000 | 0.66 |
| 19. | CIMB SECURITIES (SINGAPORE) PTE LTD | 500,000 | 0.54 |
| 20. | LEE KEE LENG OR TAN CHER KENG | 460,000 | 0.50 |
| | TOTAL | 71,770,000 | 77.83 |

# Statistics of Shareholdings

*As at 30 March 2012*

## PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 30 March 2012, approximately 40.9% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

| Name of Substantial Shareholders | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Liew Sen Keong[(1)] | 42,700,000 | 46.3 | 5,900,000 | 6.40 |
| Chan Pui Yee[(1) (2)] | 5,900,000 | 6.40 | 48,600,000 | 52.70 |
| Chan Tien Chih[(2) (3)] | 5,900,000 | 6.40 | 5,900,000 | 6.40 |

Notes:

(1) Our Executive Director, Chan Pui Yee is the spouse of our Executive Chairman and Chief Executive Officer, Liew Sen Keong. Accordingly, Liew Sen Keong and Chan Pui Yee are each deemed to be interested in the other's respective shareholdings.

(2) Our Executive Director, Chan Pui Yee is the sister of our Executive Director, Chan Tien Chih. Accordingly, Chan Pui Yee and Chan Tien Chih are each deemed to be interested in the other's respective shareholdings.

(3) Our Executive Director, Chan Tien Chih is the brother of our Executive Director, Chan Pui Yee and is the brother-in-law of our Executive Chairman and Chief Executive Officer, Liew Sen Keong.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of CCM Group Limited (the "**Company**") will be held at **Peach Garden @ Orchid Country Club, 1 Orchid Club Road, #02-35 Social Club House, Singapore 769162** on **Friday, 27 April 2012** at **9.30 a.m.** for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 93 of the Company's Articles of Association:

   Ms Chan Pui Yee **(Resolution 2)**
   Ms Lai Chin Yee **(Resolution 3)**

   *Ms Lai Chin Yee will, upon re-election as a Director of the Company, remain as Chairperson of the Audit Committee and a member of the Remuneration and Nominating Committees. She will be considered independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Rules of Catalist**").*

3. To approve the payment of Directors' fees of S$96,000 for the financial year ended 31 December 2011 (2010: S$48,000). **(Resolution 4)**

4. To re-appoint Ernst & Young LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

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

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares in the capital of the Company - General Share Issue Mandate**

   "That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Rules of Catalist, authority be and is hereby given to the Directors of the Company to:-

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

   (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) options, warrants, debentures or other instruments convertible into Shares,

# Notice of Annual General Meeting

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

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

provided that:-

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution), to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing 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 number of issued Shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) of the Company at the time this Resolution is passed after adjusting for:-

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

(ii) new Shares arising from exercising of share options or vesting of share awards outstanding and/or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

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

(3) 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), all applicable legal requirements under the Companies Act, Chapter 50 of Singapore and the Articles of Association for the time being of the Company; and

(4) unless revoked or varied by the Company in a 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.

*[See Explanatory Note (i)]* **(Resolution 6)**

# Notice of Annual General Meeting

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary
Singapore, 12 April 2012

**Explanatory Notes:**

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of the above AGM until the date of the next annual general meeting, to allot and issue shares and/or convertible securities. The aggregate number of Shares and/or convertible securities, which the Directors may allot and issue under this Resolution shall not exceed, one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares), of which the total number of Shares issued other than on a pro-rata basis to existing shareholders of Company, shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares). This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting.

**Notes:**

1. A member entitled to attend and vote at the AGM 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.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy, duly executed, must be deposited at the registered office of the Company at 64 Woodlands Industrial Park E9, Singapore 757833 not less than forty-eight (48) hours before the time appointed for holding the AGM.

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# CCM GROUP LIMITED

(Company Registration Number: 200916763W)
(Incorporated in Singapore with limited liability)

**IMPORTANT:**

1. For investors who have used their CPF monies to buy CCM Group Limited's shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the AGM as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

# PROXY FORM

*(Please see notes overleaf before completing this Proxy Form)*

*I/We, ______________________________ (Name)

of ______________________________ (Address)

being *a member/members of CCM GROUP LIMITED (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at **Peach Garden @ Orchid Country Club, 1 Orchid Club Road, #02-35, Social Club House, Singapore 769162** on **Friday, 27 April 2012** at **9.30 a.m.** and at any adjournment thereof. The proxy is to vote on the business before the AGM as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the AGM:

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

| **No.** | **Ordinary Resolutions relating to:** | **For** | **Against** |
|---|---|---|---|
| 1 | Directors' Report and Audited Accounts of the Company for the financial year ended 31 December 2011 | | |
| 2 | Re-election of Ms Chan Pui Yee as a Director of the Company | | |
| 3 | Re-election of Ms Lai Chin Yee as a Director of the Company | | |
| 4 | Approval of Directors' fees amounting to S$96,000 for the financial year ended 31 December 2011 | | |
| 5 | Re-appointment of Ernst & Young LLP as auditors of the Company | | |
| 6 | Authority to allot and issue shares in the capital of the Company - General Share Issue Mandate | | |

Dated this __________ day of ____________________ 2012

| Total number of Shares in: | Number of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________

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

* Delete accordingly.

**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 130A of the Companies Act, Chapter 50 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 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 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. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 64 Woodlands Industrial Park E9, Singapore 757833 not less than 48 hours before the time appointed for the AGM.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**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 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

創建集團

**CCM GROUP LIMITED**

***Wholly-owned Subsidiaries:***

**CCM Industrial Pte. Ltd.**

**CCM Manufacturing Pte. Ltd.**

**CCM Development Pte. Ltd.**

64 Woodlands Industrial Park E9 Singapore 757833
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