

ACMA LTD
(Incorporated in the Republic of Singapore)
(Company Registration Number: 196500233E)

ENTRY INTO AN AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL BY GLOBAL TECH PTE. LTD OF 100% EQUITY INTEREST IN ACOT PLASTICS (XIAMEN) CO., LTD.

1. INTRODUCTION

The Board of Directors of Acma Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Global Tech Pte Ltd (“**Seller**”), a wholly-owned subsidiary of Lityan Systems (S) Pte Ltd, which is a subsidiary of the Company, has, on 15 November 2023, entered into a conditional sale and purchase agreement (“**Agreement**”) with Xiamen Voke Mold & Plastic Engineering Co., Ltd (厦门唯科模塑科技股份有限公司) (“**Purchaser**”) in respect of the sale of 100% equity interest in relation to the issued and fully paid-up capital of USD 5,500,000 in Acot Plastics (Xiamen) Co., Ltd. (宇科塑料(厦门)有限公司) (“**Target Company**”) to the Purchaser for an aggregate cash consideration of RMB 60,000,000 (equivalent to approximately S\$11,166,000) (the “**Consideration**”) (the “**Proposed Disposal**”, or the “**Equity Transfer**”).

The Target Company holds 60% equity interest in the issued and paid-up capital of Acot Tooling (Xiamen) Co., Ltd. (宇科模具(厦门)有限公司) (“**ATX**”), and the remaining 40% equity interest in ATX is held by the Seller. The Seller shall, prior to Completion (as defined below), procure the Target Company to transfer all its 60% equity interest in ATX to the Seller and ensure that any rights and obligations of shareholders corresponding to the 60% equity interest in ATX are excluded from the scope of the Agreement.

Upon completion of the Proposed Disposal (“**Completion**”), the Target Company will cease to be a subsidiary of the Company and ATX will remain a wholly-owned subsidiary of the Seller.

2. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the People’s Republic of China (“**PRC**”) and listed on the Shenzhen Stock Exchange. Its registered office is in Xiamen, at (Even No.) No. 1152 – 1156 Chunguang Road, Xiang’an District, Xiamen, PRC.

As at the date of this Announcement, the Purchaser, its directors and substantial shareholders does not have any shareholding interest, direct or indirect in the Company, nor is the Purchaser, its directors and substantial shareholders related to any of the directors or substantial shareholders of the Company or their respective associates. None of the directors or substantial shareholders of the Company or their respective associates have any shareholding interests, direct or indirect, in the Purchaser, nor are any of the directors, controlling shareholders and their respective associates related to the Purchaser’s directors, controlling shareholders, or their respective associates.

3. INFORMATION AND FINANCIALS OF THE TARGET COMPANY

3.1 Target Company

The Target Company is a company incorporated and existing under the laws of the PRC with its registered address at No.2 Zonghe Building, Malong Developing Area, Heshan Town, Huli District,

Xiamen, PRC, 361006. The Target Company has, at the date of this Agreement, a registered capital of USD 5,500,000 and a paid up capital of USD 5,500,000. The Target Company is engaged in the business of designing, manufacturing plastic accessories and processing of various plastic products, metal products, plastic plywood for surgical use, and non-metal mould production.

As at the date of the Agreement, the Seller is the sole shareholder of the Target Company.

For the financial year ended 31 December 2022 (“**FY2022**”), the Target Company recorded revenue of S\$32.6 million and profit before tax of approximately S\$2.8 million (excluding impairment loss relating to investment in ATX of S\$1.1 million). As at 31 December 2022, the Target Company had net assets of approximately S\$12.9 million including an amount of approximately S\$1.1 million owed by ATX.

4. SALIENT TERMS OF THE AGREEMENT

4.1 Consideration

4.1.1 The Consideration to be paid by the Purchaser to the Seller shall be RMB 60,000,000 (equivalent to approximately S\$11,166,000), which was arrived at on a willing-buyer, willing-seller basis after taking into consideration the combined adjusted net asset value of the Target Company determined through a due diligence exercise conducted by Da Hua CPA Firm (appointed by the Purchaser), subject to final adjustments after Completion.

4.1.2 The Seller and the Purchaser (collectively, the “**Parties**”, and each, a “**Party**”) have further agreed that each Party shall be entitled to 50% of the Target Company’s accumulated after-tax profits, if any, for the period between 1 June 2023 to 30 November 2023 (“**Transition Period**”).

4.1.3 The payment terms are as follows:

- (i) 10% of the Consideration shall be transferred to the Seller as deposit on the next Business Day following the execution of the Agreement;
- (ii) 85% of the Consideration shall be transferred to an escrow account to be opened by the Purchaser, and the sums in the escrow account shall be released to the Seller on Completion Date; and
- (iii) The balance 5% of the Consideration shall be retained by the Purchaser as guarantee for any contingent liability arising from the Proposed Disposal after Completion, where:
 - (a) 50% of the retained amount (“**First Retention**”) together with interest shall be released to the Seller within five (5) Business Days after six (6) months from the issuance date of the new business license if there is no Claimable Loss (as defined below) exceeding RMB 500,000, subject to the Purchaser’s entitlement to damages from the Seller; and
 - (b) the other 50% of the retained amount (“**Balance Retention**”) together with interest shall be released to the Seller within five (5) Business Days after twelve (12) months from the issuance date of the new business

license if there is no Claimable Loss exceeding RMB 500,000 subject to the Purchaser's entitlement to damages from the Seller.

For the purposes of this clause, the interest rate applied shall be the same as the deposit interest rate declared by the People's Bank of China for the same period. For the avoidance of doubt, the Purchaser shall not deduct any amount from the First Retention (and its related interest) and the Balance Retention (and its related interest) without the Seller's written consent, save for the circumstance that there is any Claimable Loss exceeding RMB 500,000 in which case, the Purchaser is entitled to deduct such amount approved by the Seller or confirmed by a valid arbitration award.

- 4.1.4 In the event that the Purchaser fails to comply with the above payment arrangement, a late fee of 0.05% per day of the delayed amount shall be paid to the Seller. If the Seller's losses arising from such failure exceed the amount of the late fee or the Purchaser's failure causes other damages to the Seller, the payment of the late fee shall not jeopardize the Seller's rights to claim compensation for the excess amount or other damages.

4.2 Inter-Company Balances

- 4.2.1 As at 31 May 2023, the Target Company has an outstanding amount of RMB 8,384,491 (equivalent to approximately S\$1,560,000) due from ATX ("**Receivables**"). The Parties further confirm that, in the event that the amount of accumulated receivables owed by ATX to the Target Company ("**ATX Amount**") at the date of Completion is greater than the Receivable, any surplus amount ("**Excess Amount**") shall be fully deducted when calculating the Post-Completion Sum (as defined in paragraph 4.3 below) pursuant to the mechanisms set out at paragraph 4.3 below. The Seller and the Target Company shall enter a written assignment agreement ("**Assignment Agreement**") prior to Completion to assign all the legal title and beneficial interests of the ATX Amount as of the Completion Date to the Seller at the price of RMB 1.
- 4.2.2 As at 31 May 2023, the Seller confirms that dividends payable by the Target Company to the Seller is RMB 3,940,201 (equivalent to approximately S\$733,000) ("**Dividends**"). Both Parties confirm that they shall settle the Dividends between the Target Company and the Seller prior to Completion. Subject to adjustments after Completion, in the event that the Dividends has not been fully paid out before Completion, the Purchaser undertakes to procure the Target Company to make the full payment of the Dividends to the Seller within thirty (30) Business Days from Completion.
- 4.2.3 As at 31 May 2023, the Seller confirms that there is net inter-company indebtedness owed by the Target Company to the Group (excluding ATX) amounting to RMB 706,604 (equivalent to approximately S\$131,000) (the "**Net Inter-company Indebtedness**"). This Net Inter-company Indebtedness is derived after setting off various payables or receivables of the Target Company due from or due to the Seller, the Company, Acot Holdings Pte Ltd and Ray Tech Acot Singapore Pte Ltd. The Parties have agreed that such Net Inter-company Indebtedness shall be settled and/or waived upon Completion.

4.3 **Post-Completion Adjustments**

Following Completion, both Parties shall immediately engage Mazars Certified Public Accountants LLP Xiamen Branch to conduct a verification of financial accounts verification on the Target Company for the Transition Period and issue a post-completion financial report as of the last day of the Transition Period (“**Post-Completion Financial Report**”) to determine the after-tax profits of the Target Company during the Transition Period. When determining the after-tax profits, it will not consider fixed assets, inventories, account receivables and taxes.

Both Parties agree that the issuance date of the Post-Completion Financial Report (“**Report Date**”) shall be no later than the 30th Business Day following the date of Completion. The Parties shall on the Report Date, confirm the final post-completion sum payable to the Seller (“**Post-Completion Sum**”).

Both Parties agree that the Post-Completion Sum will be calculated as: (a) the total sum of any outstanding dividends (if applicable) and 50% of the accumulated after-tax profits, if any, for the Transition Period, (b) minus the aggregate sum of any outstanding amount in respect of the trade receivables of RMB 1,787,900 owed by Fuzhou Mingfang Automobile Parts Industry Co., Ltd. as at 31 May 2023 for the supply of moulds to the Target Company as of the date of Completion and any applicable Excess Amount (as defined in paragraph 4.2.1).

4.4 **Conditions Precedent**

Completion shall take place subject to the fulfilment of all the following conditions:

- 4.4.1 The board of directors or shareholders’ meeting or the competent internal decision-making body of the Seller, ACMA, the Purchaser and the Target Company have approved the Equity Transfer.
- 4.4.2 The required approvals of SGX-ST in respect of the Equity Transfer (if applicable) have been obtained;
- 4.4.3 The Authority for Market Regulation in the registered place of the Target Company has issued the new business license to the Target Company to reflect the transfer of equity interests and the amendment of the articles of association;
- 4.4.4 The Seller and the Target Company have executed the Assignment Agreement, pursuant to which all the legal title and beneficial interests of the ATX Amount will be assigned to the Seller upon Completion;
- 4.4.5 The Authority for Market Regulation in the registered place of ATX has issued the new business license to ATX to reflect the transfer of its 60% equity interests from the Target Company to the Seller; and
- 4.4.6 The Seller or the Target Company has delivered a handover item list which lists the company stamps and the U-keys of banks of the Target Company to be delivered upon Completion to the Purchaser or the person designated by the Purchaser.

The Seller and the Purchaser agree to use their best endeavours to procure the satisfaction of each of the conditions precedent of which they are responsible for, within eighteen (18) weeks following the date of execution of the Agreement or otherwise longer period as agreed by the Seller and the Purchaser in writing (“**Long Stop Date**”).

4.5 **Representations and Warranties**

Pursuant to the Agreement, the Seller and the Purchaser have furnished to each other various representations and warranties customary for transactions of a similar nature as the Proposed Disposal.

4.6 **Indemnification**

The Purchaser shall be entitled to damages from the Seller from all losses, expenses and liabilities of any kind or nature whatsoever that may be imposed on, incurred by or asserted against the Purchaser as a result of any breach of the representations and warranties and undertakings of the Agreement by the Seller (including, without limitation, legal fees and expenses and the costs of investigating any claims) (“**Claimable Loss**”). However, the Claimable Loss will be capped at RMB 5,000,000. Nevertheless, if (i) the Claimable Loss is not incurred within twelve (12) months from the date the new business license is issued, or (ii) the amount of Claimable Loss is less than RMB 500,000, the Seller shall be exempted from compensating the Purchaser.

4.7 **Governing Law and Dispute Resolution**

The Agreement shall be governed by PRC law without regard to conflict of law principles.

Any dispute which may arise out of or in connection with this Agreement shall first be resolved through negotiation between the Parties.

If the dispute cannot be resolved within thirty (30) days from the commencement of the negotiation, then such dispute shall be submitted to the Shanghai International Arbitration Centre (“**SHIAC**”) for arbitration which shall be conducted in accordance with the SHIAC’s arbitration rules (“**Arbitration Rules**”) in effect at the time of the application for arbitration. The arbitral award is final and binding upon both Parties. The place of arbitration shall be Shanghai and the arbitration procedure shall be conducted in Chinese.

5. **RECENT FINANCIAL PERFORMANCE OF THE TARGET COMPANY**

5.1 The recent financial performance of the Target Company are summarised below:-

Financial Period	Revenue (S\$'000)	Profit after Tax (S\$'000)#
Year ended 31 December 2020	20,144	291
Year ended 31 December 2021	27,422	754
Year ended 31 December 2022	32,600	1,997

#: Excluding impairment loss relating to investment in ATX.

5.2 Net asset value of the Target Company as at 30 June 2023 was approximately S\$13.7 million including the amount owed by the Subsidiary of S\$1.6 million.

6. **RATIONALE OF THE PROPOSED DISPOSAL**

Though the Consideration is at a discount to the net asset value of the Target Company as at 30 June 2023, the Company is of the view that the Proposed Disposal would be in its interest as:-

- (i) The Target Company's business is capital intensive and competitive, yielding limited free cash-flow for the Group;
- (ii) The Group may not have sufficient financial resources to make the capital investment required to allow the Target Company to optimise its business potential;
- (iii) The Consideration for the Proposed Disposal is attractive when compared with the average after-tax profit of the Target Company based on the previous three financial years ended 31 December 2020 to 2022 of S\$1.0 million;
- (iv) The Proposed Disposal is an excellent opportunity for the Group to monetise its investment in the Target Company;
- (v) In view of the current elevated interest rate environment, the Proposed Disposal will enable the Group to pare down substantially its current bank borrowings and thus reducing its gearing ratio as well as related interest expense;
- (vi) The Proposed Disposal will also generate funds to allow the Company to proceed further in its plan to rationalise and streamline its operations with the view to reducing its operational costs and improving the efficient use of its capital and cash-flow resources.

7. **USE OF PROCEEDS**

The Company will apply the net proceeds received from the Proposed Disposal of approximately S\$10.3 million for:

- (i) Repayment of bank borrowings - S\$5.8 million; and
- (ii) Working capital, including the cost of rationalisation and streamlining the Group's operations – S\$4.5 million

8. **RELATIVE FIGURES UNDER RULE 1006 OF THE MAINBOARD RULES OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST")**

The relative figures in relation to the Proposed Disposal computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual Section A: Mainboard Rules (the "**Mainboard Rules**"), based on the Group's latest announced audited consolidated financial statements for the Group for FY2022, are as follows:

Rule	Bases	Relative Figure
Rule 1006(a)	Net asset value of assets to be disposed, compared with the Group's net asset value	231%
Rule 1006(b)	Net profit attributable to the assets acquired or disposed of, compared with the Group's net profit	9,300%
Rule 1006(c)	Aggregate value of consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	859% ⁽³⁾
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable.
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable.

Notes:

- (1) The net asset value of Target Company, excluding the amount owing by the Subsidiary, is S\$11.8 million as at 31 December 2022, compared with the Group's net asset value of S\$5.1 million as at 31 December 2022. The relative figure is calculated by dividing S\$11.8 million by S\$5.1 million. NTA is computed based on total assets less total liabilities, intangible assets and non-controlling interests.
- (2) The profit before tax of the Target Company, excluding impairment loss relating to impairment in investment in ATX, is approximately S\$2.79 million for FY2022, compared with the Group's profit before tax of S\$0.03 million for FY2022. The relative figure is calculated by dividing S\$2.79 million by S\$0.03 million; and
- (3) Based on the Consideration of RMB 60,000,000 (or approximately S\$11.16 million) compared with the Company's market capitalisation of approximately S\$1.3 million (based on the Company's existing issued share capital of 42,390,998 shares (excluding treasury shares) and the volume weighted average price of S\$0.03 per Share on 8 November 2023, being the last full market day on which trades were recorded on the SGX-ST immediately preceding the date on which the Agreement was entered into). The relative figure is calculated by dividing S\$11.16 million by S\$1.3 million.

As the relative figure computed under Rule 1006(c) of the Mainboard Rules exceeds 20%, the Proposed Disposal constitute a "major transaction" under Chapter 10 of the Mainboard Rules. Therefore, the Proposed Disposal is subject to the approval of the shareholders at an EGM to be convened.

In addition, pursuant to Rule 1014(5) of the Mainboard Rules, as the relative figure computed under Rule 1006(c) exceeds 75%, the Company has appointed Colliers Appraisal & Advisory Services Co., Ltd (北京高丽国标房地产评估有限公司) to carry out an independent valuation of the Target Company for the purpose of the Proposed Disposal (the "Equity Valuation"). Further details on the Equity Valuation will be set out in a circular to be despatched to shareholders in

due course, which will set out, amongst others, further information on the Proposed Disposal, together with the notice of EGM.

9. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

9.1 The pro forma financial effects of the Proposed Disposal on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after Completion. They are prepared based on the latest announced audited consolidated financial statements of the Group for FY2022, and are subject to the following key assumptions:

- (i) the Consideration is RMB 60,000,000 (equivalent to approximately S\$11,166,000);
- (ii) the effect of the Proposed Disposal on the Group's consolidated net tangible assets ("**NTA**") per share is based on the assumption that the Proposed Disposal had been effected at the end of FY2022;
- (iii) the effect of the Proposed Disposal on the Group's consolidated loss per share ("**LPS**") is based on the assumption that the Proposed Disposal had been effected at the beginning of FY2022; and
- (iv) the expenses and PRC profits tax to be incurred in connection with the Proposed Disposal are estimated to be approximately S\$0.85 million.

9.2 **NTA**

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA (S\$'000)	5,098	3,648
Number of shares	42,391	42,391
Consolidated NTA per share (cents)	12	8.6

Note:

- (1) NTA is computed based on total assets less total liabilities, intangible assets and non-controlling interests. Estimated loss on disposal of Target Company is S\$1.45 million, which is computed as follows: proceeds of S\$11.2 million from the Proposed Disposal less net assets of Target Company of S\$11.8 million and estimated expenses of S\$0.85 million incurred in connection with the Proposed Disposal.

9.3 **LPS**

	Before the Proposed Disposal	After the Proposed Disposal
Profit/(Loss) attributable to equity holders of the Company (S\$'000) ⁽¹⁾	(720)	(4,170)
Weighted average number of shares	42,391	42,391

Consolidated EPS/(LPS) (cents)	(1.7)	(9.8)
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Note:

- (1) The loss attributable to equity holders of the Company is computed as follows: the sum of the Group's loss of S\$0.72 million attributable to equity holders of the Company for FY2022 and the estimated loss of S\$1.45 million on disposal of Target Company, less profit after tax of Target Company of S\$2.0 million for FY2022.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements as and when appropriate or when there are further developments on the same, including information required under the Mainboard Rules.

11. CIRCULAR AND EGM

The Company will be convening an EGM to seek the shareholders' approval for the Proposed Disposal, and a circular containing, *inter alia*, the notice of the EGM and details of the Proposed Disposal will be despatched to the shareholders in due course.

12. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

13. INTEREST IN THE TRANSACTION

As at the date of this announcement, none of the directors or substantial shareholders of the Company or their respective associates have any interest, direct or indirect, in the Proposed Disposal other than through their respective shareholdings in the Company.

14. DOCUMENTS FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

16. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their shares in the Company as there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. In the event that shareholders and potential investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

Further announcement(s) will be made as appropriate when there are material developments to the Proposed Disposal.

By Order of the Board

**Quek Sim Pin
Executive Chairman**

15 November 2023