ACMA LTD

ANNUAL GENERAL MEETING TO BE HELD ON 18 JUNE 2024
RESPONSE TO QUESTIONS RECEIVED FROM SIAS

The Board of Directors of Acma Ltd (“**the Company**”) refers to questions received from SIAS ahead of the Company’s Annual General Meeting. The Company wishes to provide the responses below.

Q1. The company is in the process of disposing of its tooling and plastic injection moulding business segments through the sale of Acot Plastics (Xiamen) Co., Ltd. and Acot Tooling (Xiamen) Co., Ltd. In prior years, the company also disposed of the metal printing and packaging services business.

The group’s other business segments consist of the distribution of communications, electronics and other equipment plus ancillary services; and investments (Note 30 Segment information).

Revenue for the year ended 31 December 2023 was $11.0 million and the group recorded a loss from continuing operations of $(2.1) million for the year. At the company level, the accumulated losses amount to $(192.8) million out of share capital of $195.0 million, with $2.24 million of equity remaining attributable to owners of the company.

(i) For the benefit of shareholders, can the company provide an overview of the scale of its remaining communications, electronics, and equipment distribution business? What are the key value drivers and how does management create and capture value in this business model?

Company Response:

The business segment comprises principally the distribution and sale of air-conditioning related and electrical distribution systems.

(ii) What are the main products and services offered by the group, and what are the profiles of the major customers?

Company Response:

The Group is distributor of Hitachi brand chillers and W Lucy brand electrical distribution systems for Singapore. In addition, the Group sources and trades in other products and provide maintenance services as may be required by customers.

Our principal customers vary from end users to wholesalers. The end-users are varied and may comprise commercial and industrial property owners and/or utility-related companies.

(iii) What is the group's competitive advantage in the communications, electronics and equipment distribution business?

Company Response:

The Group has in Hitachi and W Lucy, distribution rights for two strong recognizable brands. Furthermore, the Group has established a reliable network of sales agents and contacts in some of the territories which it has been operating in.

(iv) Can management elaborate further on the plans to restore the group's profitability? What are the five main operational priorities in FY2024?

Company Response:

a) The Group's distribution business in certain countries such as Sri Lanka and Bangladesh had in the last couple of years, been adversely affected by the economic situation of those countries. Management is hopeful that the situation in these countries should improve leading to better sales performance. Management is also looking to continue to build up its sales network and also increase the product range which it can offer to its customers.

b) Management also recognizes the need to bring in new income generating business(es). However such the acquisition of any new business(es) will have to take into account inter alia the financial resources required and the Group's ability to raise the requisite funding.

c) The Group will continue to review how it can further rationalize business costs.

d) The Group will also look at options to strengthen its financial position. A stronger financial position will increase the options available to the Group when looking for new businesses.

Q2. As noted in the statement by the executive chairman, with the disposal of the PRC-based plastic injection moulding and mould manufacturing subsidiaries, the group is carrying out a search for new businesses (page 3 of the annual report).

i) **Has the board approved the search for new business ventures? If so, what is the criteria used by management in its search for a new business?**

Company Response:

The Board has agreed on the need for the Group to source for new businesses. However, any new businesses to be acquired will be subject to fresh Board deliberation and approval. Quite apart from the commercial terms, the basic criteria of new businesses to be acquired are that: -

a) they should be able to make meaningful contribution to Group revenue; and
b) the Group will be able to fund the acquisitions as well as the funding needs of the new businesses.

ii) How is the search carried out?

Company Response:

The search is presently carried through various informal channels, including business contacts.

The share price of the company has declined over the years, and the last traded share price is $0.02 per share (See chart below). The company last paid a dividend in 2001. Based on SGX StockFacts1, the company's market capitalisation is $0.85 million.

To put things in perspective, the remuneration of the executive chairman is approximately $0.3 million in FY2023, or more than 35% of the entire market capitalisation of the company.

(iii) Has the board, especially the independent directors, evaluated the group's track record in creating value for shareholders? Specifically, what is the total shareholder return over the past 5, 10, 20 and 35 years? It is noted that Mr Quek Sim Pin has been the executive chairman of the company for the past 35 years (since 1989).

Company Response:

The Board is aware of the deterioration in the Company's market capitalization over the years which is reflective of the weak financial performance of the Group during this period. Mr Quek Sim Pin ("QSP"), who has not sold any shares in the Company throughout his tenure as Executive Chairman, as one of the substantial shareholders of the Company has also seen the value of his shareholdings deteriorate.

(iv) How have the directors, as fiduciaries who act objectively in the best interest of the company, assessed and held management accountable for performance (Provision 1.1: Principal duties of the board; page 11)?

Company Response:

Management has taken voluntary cuts in remuneration. The services of certain operational managers have also been terminated.

(v) Could the nominating committee (NC) provide further insights into the group's succession plans for executive director(s)?

Company Response:

There is currently only one executive director, namely QSP. The NC is of the view that it may be appropriate to postpone consideration of any new executive director(s) till the Group has move forward on its plans to acquire new businesses.

As shown in the director's biography, Mr Quek Sim Pin, as the executive chairman, has other principal commitments as director of four other private companies, namely Neurotrend Pte Ltd, Lasvin Pte Ltd, Evobios Asia Pte Ltd and Agrimax Pte Ltd.

(vi) Can the board, especially the NC, help shareholders better understand if there are any benefits of having the executive chairman hold directorships in four private companies? Is the director serving as a full-time executive chairman?

Company Response:

QSP is a full time executive chairman and the Board is of the view that QSP's interest in the four private companies listed does not impair his ability to fulfil his duty as executive chairman of the Company.

Q3. In the corporate governance report, the company has noted that the board has deliberated and agreed that the group will not have an in-house internal audit function or appoint internal auditors (page 24).

The board is cognisant of Listing Rule 719(3) which states the following:

An issuer must establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits. Chapter 7 of the SGX Rulebook sets out continuing requirements which an issuer is required to observe.

(i) Has the company received a waiver from SGX-ST for not complying with Listing Rule 719(3)?

Company Response:

Whilst the Group does not have a formal in-house internal audit function or appointed internal auditors, management is of the view that the arrangements in place and outlined below, enables the Group to maintain on an ongoing basis an effective internal audit function as required by Listing Rule 719(3).

In lieu of appointing internal auditors, the company has the following arrangements:

- the continuous periodic review of the operations by senior head office managers and the Group finance department (all of whom are independent of the operating subsidiaries);

-the inclusion of head office managers as directors on the boards of the operating subsidiaries for additional oversight;

-the inclusion of head office managers as counter signatories for major bank accounts of the operating subsidiaries;

-the employment of independent consultants where appropriate to assist in continuous review of management figures of certain key subsidiaries;

-conduct of internal audit on operating companies by the corporate finance team members on significant companies (the corporate finance team is independent of the operating companies which they audit);

-regular reviews by head office managers on the Group's businesses and operational activities through discussions with operating management, to identify significant business risks as well as to introducing appropriate measures to control and mitigate these risks;

-discussions with the external auditors on their observations and findings during the conduct of their audit, in particular in relation to the internal controls of the operating companies.

(ii) Has the audit and risk committee (ARC) reviewed and approved the current arrangement? How does the ARC review the adequacy, efficacy, and independence of these practices? Does the current arrangement meet international internal auditing standards?

Company Response:

The ARC has reviewed and approved the current arrangement. The ARC has reviewed management initiatives taken during the year with regard to the alternative arrangements undertaken by management and the ARC has also discussed with the external auditors their findings and observations during the course of the work.

(ii) Will the ARC be looking to appoint an internal auditor?

Company Response:

The ARC will consider enlisting the services of an external accounting firm for the provision of internal audit services for FY2024.

BY ORDER OF THE BOARD

Quek Sim Pin
Executive Chairman

14 June 2024