ACMA LTD

ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2022
RESPONSE TO QUESTIONS RECEIVED FROM SIAS AND SHAREHOLDERS

The Board of Directors ("the Board") of Acma Ltd ("the Company") refers to queries raised by shareholders in respect of the Company's Annual General Meeting ("AGM") which is to be convened by electronic means on 29 April 2022 at 9.00 a.m. and set out the replies as follows:

QUESTIONS RECEIVED FROM SIAS

Q1. On 13 April 2022, the company posted a notice of 3 consecutive years' losses on SGXNet, to update shareholders and investors that it has recorded pre-tax losses for the three most recently completed consecutive financial years (based on audited full year consolidated accounts). It had in fact posted the same notice on 14 April 2021.

With its 6-month average daily market capitalisation at just $1.9 million, it is below the threshold of $40 million set out in Rule 1311(1) of the SGX Listing manual.

While SGX RegCo typically reviews the inclusion in the watch list on a half-year basis, it has suspended the half-yearly reviews due to the pandemic since April 2020. In the announcement on May 2021, SGX RegCo further extended the suspension of the review for 2021. If no further extension is granted, the half-yearly review will commence on the first market day of June 2022.

(i) What is the impact on the group's operations (including market confidence, relationship with suppliers, customers, bankers) should the company be included in the watch-list? How will management be mitigating the impact?

Company: We do not currently expect this to result in any material adverse impact.

(ii) What are management's priorities to turn around the business?

Company: With the disposal of the Group's metal printing and packaging services business at the end of FY2020, our priorities are :-

(a) Turning around or at least reducing the losses attributed to our tooling operations;
(b) Looking for new businesses which may potentially contribute positively to the Group's bottom-line; and
(c) Bolstering the Group's balance sheet.

(iii) How will the board be addressing the minimum average daily market capitalisation of $40 million?

Company: The priority is to return the Group to profitability. Though market pricing of the Company's shares is dependent on several factors, many of which are beyond the Company's control, the Board is of the view that returning the Group to profitability as well as bolstering the Group's balance sheet will help the Group to improve its market capitalization.

Q2. The Metal printing and packaging services business ("MPPL") which was disposed of at the end of FY2021 for $29,6862.

For FY2021, loss before income tax from continuing operations was $(4.4) million (FY2020: $(3.9) million). The group recognised revenue of approximately $51 million (from continuing operations) in FY2020 and FY2021.

The group's tooling operations were impacted by the pandemic as well as the China-US trade war. Segment revenue declined by $7.8 million although revenue from the group's plastic injection moulding operations increased by $7.2 million. In the statement to shareholders, the chairman has stated that new order inflows for the tooling segment "remain slow".

(i) Please (re)state the group's business model (including its competitive advantage) and highlight how the group can create value for shareholders.

Company: The Group's business model had been premised on offering quality solutions on a timely basis from our PRC-based factories to our foreign customers at competitive pricing. The imposition of tariffs on our China-factories by the US, the weakening of the Euro against the Renmibi, and escalating labour costs in the PRC have eroded much of the competitive advantage. The increase in ocean freight costs and the longer times taken for delivery due to port congestion since the start of the COVID-19 pandemic has also contributed to the issue. The Group is trying to address the slowdown in order from US and European-based customers by targeting more PRC domestic business through leveraging on its past experience with MNCs.

(ii) Can management help shareholders understand if it has remained cost competitive? For instance, what is the level of automation in the operations? What was the gross profit margin achieved in FY2021? What levers are available to management to improve the group's profitability?

Company: Gross Margin of our PRC tooling operations achieved in FY2021 amounted to 7.7% as opposed to 16.6% in FY2020. Quite apart from the reduced intake of sales orders from foreign customers (as opposed to domestic PRC customers), the decline in margin is due principally to insufficient production at the factory level.

As noted in the corporate governance report, Mr Quek Sim Pin currently assumes the roles of both chairman and chief executive officer ("CEO"). As CEO, Mr Quek bears full executive responsibility for the overall management of the company's businesses including charting its corporate and strategic direction (page 14).

Out of the group's share capital of $195.0 million, the accumulated losses amount to $(194.1) million. With foreign currency translation reserve showing a $2.28 million gain, equity attributable to owners of the parent amounts to just $6.94 million (from $195.0 million).

(iii) Has the board, especially the nominating committee (NC), evaluated the benefits of having two separate persons in the roles of the chairman and the CEO?

Company: The Board and the NC had previously formed the view that there would not be any significant benefit from having two separate persons in the role of the chairman and the CEO.

Q3. The profiles of the directors can be found on page 4 of the annual report. At the AGM scheduled to be held on 29 April 2022, Mr Robert Low Mui Kiat will be retiring pursuant to Article 93 of the company's constitution and will be seeking his re-election.

Additional information on directors seeking re-election pursuant to Rule 720(6) and Appendix 7.4.1 can be found on pages 5 to 8. Mr Robert Low Mui Kiat was first appointed to the board on 11 December 2009.

(i) Can the retiring director help shareholders understand his contributions and his effectiveness as a director?

Company: Throughout his term, Mr Robert Low has contributed constructively during all meetings and provided independent views and valuable advice and insights. When necessary, Mr Robert Low does not hesitate in seeking clarification, especially as Chairman of the Audit Committee.

(ii) Has the NC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?

Company: The NC has reviewed and is satisfied with the current composition of the Board taking into account the various skillsets of the board members. There is presently no plans in place for additional/future board appointments to fill perceived gaps in skills or competencies.

(iii) Can the NC help shareholders understand if the independent directors have the appropriate balance and mix of skills, knowledge, experience, especially in tooling, injection moulding, distribution, supply chain, operations, business experience in China/Vietnam, to engage in effective and constructive debate with the executive directors?

Company: Whilst the independent directors may not have specific business experience relating to the specific business segments that the Group operated in prior to their appointment to the Board, the independent directors have since their appointment expanded on their experience in the relevant businesses through their interaction with operating management of the relevant segments. The NC is of the view that the independent directors are able to draw upon their own business experiences to enable them to engage in meaningful and effective discussions with the executive directors.

In addition, the profiles of key management can be found on page 9. The COO, CFO and managing directors have been in the group since as far back as 1984-2000. Their experience ranges from 22 years to 38 years, averaging 29 years.

(iv) Has the board reviewed if the group has the necessary human resources in place to allow the group to meet its objectives?

Company: The Board has reviewed and is satisfied that the Group has the necessary human resources in place to meet its objectives.

QUESTIONS RECEIVED FROM SHAREHOLDERS

1. Once again, ACMA made a loss last year. NAV declined once again. **Why is the company proposing to increase director fees when the company is still loss-making, and no dividends were declared to shareholders?**

Company: There has not been any increase in the rate of fees paid to directors. The higher fees of $1,667 in FY2021 compared to FY2020 was due to the fact that the remuneration for Mr Joseph Foo Chee Hoe was only effective from his appointment in August 2020. Mr Foo's appointment was to replace a director who stepped down upon conclusion of the previous year's AGM on 23 June 2020.

2. The company has been making losses for many years, and as of writing, the market capitalization of the company is only around 2 million SGD. **Is the company already inside the SGX watchlist? Will it be included in the SGX watchlist?**

Company: The Company has not yet been placed on the SGX watchlist as SGX had suspended the half-yearly reviews due to the pandemic since April 2020. In the announcement on May 2021, SGX RegCo further extended the suspension of the review for 2021. If no further extension is granted, the half-yearly review will commence on the first market day of June 2022. In such instance, the Company may be included in the SGX watchlist.

3. **Please reflect and indicate what (concrete) actions/steps have the management taken over the past year to return the company to profitability? And please evaluate and elaborate on the efficacy of these steps/actions taken?**

Company: The principal focus of the Group had been mitigating losses of those entities which had been adversely affected by the US-China trade war and COVID-19.

The Group managed at the end of FY2021 to dispose of MPPL which had made a loss of S$1.37 million in FY2020 and S$0.95 million in FY2021.

4. **Despite the communications segment recording higher revenues, the profit attributed actually declined. Why is it so? Will our only profitable segment become unprofitable too?**

Company: The lower profitability recorded in FY2021 (S$0.5 million pre-tax) compared to FY2020 (S$1.0 million pre-tax) was due mainly to :-

(a) increase in impairment allowance/write-off of trade and other receivables by approximately S$0.12 million from S$0.31 million to S$0.43 million;
(b) increase in inventory impairment allowance of S$0.1 million in FY2021 compared to FY2020;
(c) write-back of a refundable deposit in FY2020 of S$0.1 million; and
(d) S$0.14 million reduction in COVID-19/Job support scheme subsidies received in FY2021 compared to FY2020.

5. **Are we operating in a sunset industry? When does the company expect to return to profitability?**

Company: The Company does not believe that the industries which the Group operates in are sunset industries per se, notwithstanding the poor performance of certain segments due to various factors, including the continuing US-China trade dispute and challenges posed by the COVID-19 pandemic. Given the continuing challenging environment, the Company is unable to forecast any specific timeline for a return to profitability.

By Order Of The Board

Quek Sim Pin
Executive Chairman and CEO
26 April 2022