ACMA LTD

ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2021
RESPONSE TO QUESTIONS RECEIVED FROM 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 2021 at 9.00 a.m. and set out the replies as follows: -

1) SGX Watchlist/ low market capitalisation

(a) I note that the company recorded three consecutive years of losses and had a market capitalisation of less than 5 million SGD. Is the company inside the SGX Watchlist?

Company: The Company is not in the SGX Watchlist as of the date of this announcement.

(b) Will the company enter the SGX Watchlist?

Company: Based on the current criteria of the SGX, it is expected that the Company will be placed on the SGX Watchlist when SGX conducts its next review.

(c) What are the implications for the company with its entry into the SGX watchlist?

Company: An issuer which enters the Watchlist will have to submit an application to the SGX within the cure period for removal from the Watchlist. The SGX will remove the Issuer from the Official List at the end of the 36-month cure period which commences from the time it was placed on the Watchlist (subject to any extension granted). You may refer to SGX Practice Note 13.2 Watch List for further information.

(d) What does the company and management intend to do going forward to extricate ACMA from the SGX Watchlist?

Company: The Company will endeavour to meet the profitability as well as market capitalisation requirements set out by the SGX for exit from the Watchlist. In addition to its ongoing efforts to restructure its businesses, the Company may consider other options, including corporate activities, which may help the Company achieve the aforesaid objective. In this regard, appropriate announcements will be made on SGXNet as and when required.

(e) Does the company think it is able to meet the SGX timeframe / time limit to exit the SGX Watchlist by improving its financial performance?

Company: The Group's activities, particularly the tooling and plastic injection moulding operations (where manufacturing is mainly China-based) have been adversely affected by the US-China trade dispute and the Covid-19 pandemic, both of which are still ongoing. In light of these challenges, we are unable at this juncture to determine and or comment on the likelihood of the Company being able to meet the SGX's criteria for exiting the Watchlist within the prescribed timeline.

(f) Does it intend to downgrade itself to the Catalist Board?

Company: The Company does not have any plans at this juncture to seek a transfer to Catalist.

(g) The company did a share consolidation, which severely affected its liquidity some time back.

What can the company do to improve its share price performance, and by extension, meet the market capitalisation requirement of a SGX Mainboard listed company?

Company: The primary focus of the Company currently is to return to profitability. A return to profitability may make the Company more attractive to potential investors and possibly contribute to an improved share price performance. The Group may also, given the appropriate opportunities, consider corporate activities which may help improve market capitalisation.

2) Financial performance

(a) I note that the company has been losing money for many years and counting. These problems occurred *prior* to the COVID pandemic and there appears to be long-standing issues plaguing the company and industry.

Is the company's current business/industry viable?

Company: The Group's businesses segments and the pre-tax result in FY2020 comprised:

	Profit (Loss) S$'000
a) Tooling and plastic injection moulding	(2,539)
b) Communications and equipment distribution	999
c) Metal printing and packaging services	(1,358)
d) Investment	(2,188)
Loss before income tax	(5,538)

The Group's tooling business had since 2018 been affected by US-China trade dispute followed in 2020 by the Covid-19 pandemic which resulted in a significant reduction in order intake. The Group has taken steps to improve its performance by cutting down significantly its European marketing office costs as well as the disposal of one of its two tool manufacturing operations at the end of FY2020. We believe that these efforts should help improve performance of the tooling business.

The Communications and equipment distribution business had been consistently profitable for the last 5 years.

The Metal printing and packaging services business had suffered losses in both FY2019 and FY2020. Even though pre-tax loss in FY2020 of S$1.36 million had been reduced from S$3.58 million through better cost controls and efficiencies, the business is still having to deal with tightening of operating margins due to increased competition.

Investment comprised principally unallocated head office overheads less any investment income.

(b) Does the company think that the industry it is operating in is a "sunset industry"?

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.

(c) Is the company looking to exit from its present industry and pivot to another industry/business?

Company: The Board recognizes the need to restructure its current businesses in order to return to sustainable profitability. The Group may also consider moving into other industries/businesses where there are appropriate opportunities. Shareholders will be informed through appropriate announcements vide SGXNet as and when required.

(d) Have the company considered conducting a *strategic review* of its business? If not, why not?
If so, what is the outcome of the *strategic review* conducted?

Company: The Group is continuously reviewing its existing businesses as part of its efforts to restructure its business with a view to returning to profitability. However, these efforts have to take into consideration the available resources of the Group. As part of this process, the Group took the decision in FY2020 to trim down significantly the headcount and costs of its European marketing office for its tooling operations and also to dispose of one of its two tool manufacturing facilities.

3) Capital management

(a) I note the company only has cash and cash equivalents of 3 million SGD. It conducted a sale and leaseback to free up capital recently. The company has bank borrowings of 10.6 million. (Note 29) I note that these bank borrowings incur a high interest rate of 8.5% (Note 29)

Will the company be able to meet its debt obligations when they come due?

Company: Of the S$10.6 million outstanding at 31 December 2020, S$1.7 million related to factoring debts which will be repaid upon collection of the factored debts from customers and S$0.9 million related to a loan secured on certain leasehold properties of the Group. As most of the Group's remaining interest bearing loans and liabilities are revolving bank facilities, they are not expected to be repaid in 2021.

Based on the Group's audited balance sheet at 31 December 2020, the Group's total current assets are adequate to meet the Group's short term liabilities as the Group's total current assets of S$40.3 million was S$2.5 million in excess of the Group's short term liabilities of S$37.8 million.

(b) These debts incur a very high interest rate of 8.5%, have the company looked at or sought out other forms of financing, such as financing via equity?

Company: Interest rates for bank borrowings range from 2.74% to 8.5%. The higher interest rates paid are mainly in respect of overseas bank borrowings, including a factoring loan of the Group's Vietnam-based metal printing and packaging services business.

(c) Will the company be seeing a rights issue or placement issue in the near future?

Company: Whilst the Company is considering various options of bolstering its share capital base etc, any plans when firmed up will be announced to shareholders through SGXNet.

4) Re-election of Directors

(a) I note that several directors who have served the Board are putting themselves up for re-election. Amongst them, some are subject to two-tier voting as they have served in the Board for a long time.

The company's financial performance has deteriorated over the years.

Why do these directors deserve re-election?

Have the counsel of the independent directors who are subject to two-tier voting been useful?

Please highlight what positive contributions Mr Robert Low made towards the company over the past (few) year(s)?

Please highlight what positive contributions Mr Tan Keng Lin made towards the company over the past (few) year(s)?

Company: The Nominating Committee and the Board is satisfied that both Mr Robert Low and Mr Tan Keng Lin have exercised independent judgment, integrity, professionalism and objectivity in the discharge of their duties as independent directors.

(b) Do the company not think it needs new blood to inject fresh thinking/insights/ideas to turnaround the company's financial performance? Or does the company think that doing the same thing over and over again would make things better/improve the company's financial situation?

Company: The Company subscribed to the importance of having a Board with a diversity of expertise and experience such that as a group, provides an appropriate balance and diversity of skills, experience, perspectives and knowledge for effective stewardship of the Group’s business. In this regard, Mr Joseph Foo Chee Hoe was appointed independent director in FY2020 to replace one of the independent directors who retired and did not seek re-election in the 2020 annual general meeting of the Company.

By Order of the Board

Quek Sim Pin
Executive Chairman
28 April 2021