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**SGX QUERIES PERTAINING TO THE COMPANY'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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The Board of Directors of Acma Ltd ("the Company" wishes to announce that the Company had received queries raised by the SGX on the Company's full year results for the financial year ended 31 December 2020 that was released by the Company via SGXNET on 2 March 2021 ("FY20 Results Announcement"):

**SGX Query 2 (a)**

Please disclose: -

- (i) a breakdown of the Group's receivables;
- (ii) aging of the Group's trade receivables;
- (iii) details of the Group's underlying transactions of its other receivables and the terms of the transactions;
- (iv) the Company's plans to recover the trade and other receivables; and
- (v) the Board's assessment of the recoverability of the trade and other receivables.

**Company Response**

**(i) A breakdown of the Group's receivables;**

The Group's receivables at 31 December 2020 comprised: -

	<b><u>\$'000</u></b>
1) Trade receivables	17,227
2) Prepayments	5,245
3) Other receivables	666
4) Accrued revenue	319
5) Sundry deposits	293
6) Tax recoverable	273
7) Other recoverable amounts	<u>149</u>
	<b><u>24,172</u></b>

The amount reported per the SGXNET announcement was \$25,292,000 but has since been amended to S\$24,172,000 mainly due to set-off of \$1,118,000 against Trade and Other Payables (reduced by \$1,156,000 from \$21,120,000 per SGXNET announcement to \$19,964,000).

Prepayments of \$5,245,000 comprised mainly of advances to suppliers (\$4,599,000) and Other prepayments and deferred expenditure (\$646,000).

Accrued revenue relates to revenue recognized to-date for satisfied performance obligations but has not been invoiced to customers as at the financial year end.

(ii) **Aging of the Group's trade receivables;**

	<b>Amount</b>	<b>Loss</b>	
	<b>Owing</b>	<b>Allowance</b>	<b>Net</b>
	<b><u>S\$'000</u></b>	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Current	6,303	-	6,303
Past due less than 90 days	5,655	-	5,655
Past due 90 to 180 days	4,054	103	3,951
Past due more than 180 days	<u>2,485</u>	<u>1,167</u>	<u>1,318</u>
	<b><u>18,497</u></b>	<b><u>1,270</u></b>	<b><u>17,227</u></b>

(iii) **Details of the Group's underlying transactions of its other receivables and the terms of the transactions;**

Other receivables of \$666,000 include \$321,000 relating to the balance sum receivable from the sale of the Group's leasehold property in Vietnam. This sum will be due upon completion of all title transfer documentation. The sale of the leasehold property was affected at the last quarter of FY2020.

(iv) **The Company's plans to recover the trade and other receivables;**

The trade and other receivables are expected to be recovered in the ordinary course of business.

(v) **The Board's assessment of the recoverability of the trade and other receivables.**

In its assessment of the recoverability of trade and other receivables, the Company uses the practical expedient under SFRS(I) 9 in the form of allowance matrix to measure the expected credit loss ("ECL") for trade receivables where the loss allowance is equal to lifetime ECL. The ECL rates are based on the Group's historic loss experience of the customers, for the last 3 years prior to the reporting date for various customer groups that are assessed by geographical locations, adjusted for forward looking factors, including management's best estimate of the impact of COVID-19, specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables.

Management also assesses whether there may be factors which may indicate that a receivable is credit impaired, such as a debtor entering bankruptcy or other financial reorganization or cessation of operations.

The Board has reviewed and accepted management's analysis, estimates and methodology for assessing impairment of the Group's trade and other receivables. Based on the aforesaid, the Board is satisfied with the recoverability of the trade and other receivables.

**SGX Query 2 (b)**

Please provide information on the Group's inventory turnover days.

**Company Response**

**The Group's inventory turnover days for FY2020 was 126 days based on the following: -**

- 1) Average inventory for FY2020 based on inventory at 1 January 2020 and 31 December 2020 of \$13,327,000
- 2) Cost of goods sold in FY2020 of \$37,298,000 taking into account only Raw materials and consumables used of \$33,098,000 and Depreciation of Property, plant and equipment of \$4,200,000

### **SGX Query 2 (c)**

Please disclose a breakdown of trade and other payables/other payables amounting to \$21.2 million as at 31 December 2020. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

### **Company Response**

#### **A breakdown of trade and other payables/other payables amounting to \$21.2 million as at 31 December 2021.**

The Group's trade and other payables at 31 December 2020 of \$20.0 million (after adjustment for balances set-off of \$1.2 million referred to in Para (a)(i) above) comprised:

	<b><u>\$'000</u></b>
1) Trade payables	14,010
2) Advances and deposits from customers	2,253
3) Accruals for staff related costs, including accrued bonus, commissions and unutilized leave	1,499
4) Unsecured loan from unrelated party	1,000
5) Sundry creditors	730
6) Other tax payables	329
7) Amount owing to a director of a subsidiary	<u>143</u>
	<b><u>19,964</u></b>

**For other payables, please disclose the aging and nature of the other payables and whether the counterparties are related parties.**

#### **Unsecured loan from unrelated party**

The loan was extended to the Group in Q4 FY2020 and bear interest at 11% per annum.

#### **Amount owing to a director of a subsidiary**

The director is also a minority shareholder of the subsidiary. The amount owed is mainly in relation to undrawn salary for which interest is accrued at 7.25% per annum.

### **SGX Query 2 (d)**

Given the Group's significant liabilities of \$46.6 million and cash and bank balance of only \$3.33 million and noting that the Company incurred losses of \$5.53 million in FY2020, please disclose the Board's assessment (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of \$39.3 million, including its bases of assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

### **Company Response**

#### **(i) whether the Company's current assets are adequate to fulfil its significant short term liabilities of \$39.3 million, including its bases of assessment; and**

The Group's total current assets are adequate to meet the Group's short term liabilities as the Group's total current assets of \$40.3 million is \$2.5 million in excess of the Group's short term liabilities of \$37.8 million. (The above figures are after adjustments made to the figures set out in the FY2020 Results Announcement. Based

on the FY2020 Results Announcement, the Group's current assets of \$41.5 million was \$2.2 million in excess of the Group's short term liabilities of \$39.3 million).

**(ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.**

Of the Group's short term liabilities of \$37.8 million, \$10.6 million relate to bank borrowings and \$2.2 million to advances and deposits from customers.

Of the bank borrowings, \$1.7 million relate to factoring debt and \$0.9 million to a loan secured on leasehold properties of the Group. The factoring debt will be repaid based on collection of the factored debts. As most of the remaining Group's interest bearing loans and liabilities are revolving bank facilities, they are not expected to be repaid in 2021.

With regard to the \$2.2 million of advances and deposits from customers, they are expected to be settled by set-off against billings to be raised to customers upon fulfilment of their orders.

The Group expects to fulfil its payment obligations in the next 12 months through its existing cash balance and bank facilities and the expected cash-flow from the ongoing operations of the Group. The Group may also consider other fund raising options which may include additional secured and unsecured loans as well as the disposal of non-core assets as part of the continuing rationalization of the Group's operations.

The Group does not currently have any debt repayment plans with respect to its debt obligations.

**By Order of the Board**

Quek Sim Pin  
Executive Chairman  
12 April 2021