

**SGX QUERIES PERTAINING TO THE COMPANY'S FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

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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 results announcement for the financial year ended 31 December 2022 that was released by the Company via SGXNET on 1 March 2023 ("FY2022 Results Announcement"):

**Inventory:**

1) Please explain why is there a significant impairment of inventory for obsolescence of \$505k while there was also a write-back of \$575k on the same? Note that the impairment and write-backs are predominantly from the business segment "Tooling and plastic injection moulding".

Company Response

The write-back of impairment provision related principally to impairment provisions no longer required in respect of work-in-progress which have been completed and expensed off to cost of sales during the year.

The impairment provisions made during the year are in line with the Group's accounting policy of stating the carrying value of inventory at the lower of cost and net realisable value.

The impairment provisions made and write-backs are predominantly from the Tooling and plastic injection moulding business segment because the segment's inventory account for about 90% of the Group's inventory.

2) Please explain the nature of inventories held / written off, and provide a breakdown by nature.

Company Response

Details are set out below:-

Nature	31 December 2022	
	Inventory Held	Inventory Written Off
	S\$'000	S\$'000
Raw Materials	2,416	-
Work in progress	5,870	362
Finished products	3,942	91
Trading Stocks	1,385	52
<b>Total</b>	<b>13,613</b>	<b>505</b>

3) Please provide a breakdown of the Company's inventory and its write-offs, by age.

Company Response

The Company's inventory at 31 December 2022 relates to the following business segments:-

<u>Business Segment</u>	<u>S\$'000</u>
(i) Tooling and plastic injection moulding	12,229
(ii) Other	1,384
	<u>13,613</u>

The Group does not maintain ageing records in respect of its inventory for its tooling and moulding segment. The assessment of their carrying value is based on the review of individual jobs-in-progress and the stock of raw materials and finished goods held at the balance sheet date.

Ageing of inventory of Other business segments are as follows:

Year	31 December 2022
	Total Inventory Held
	S\$'000
Over 3 years	867
2 – 3 years	93
1 – 2 years	0
0 – 1 year	424
<b>Total</b>	<b>1,384</b>

4) Please explain the methodologies used to compute write-back / impairment of inventory for obsolescence, and opine on its reasonableness.

Company Response

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could in turn affect the salability and values of the inventory. The Board

views that the methodologies used to assess the write-back / impairment of inventory for obsolescence to be reasonable.

**Trade and other receivables:**

- 5) Please provide a breakdown by aging for:  
a. the Group's Trade and Other Receivables; and  
b. the Net Trade Receivables.

**Company Response**

These comprised:-

	<u>S\$'000</u>
Net trade receivables	14,107
Other trade receivables	<u>260</u>
	14,367
Prepayments	3,685
Sundry deposits	668
Recoverable amounts	157
Tax recoverable	13
Accrued revenue	<u>654</u>
	<u><u>19,544</u></u>

Ageing of Net trade and other receivables are set out below:-

Aging	31 December 2022
	Trade and other receivables
	S\$'000
Current	4,851
31 to 90 days	3,858
91 to 180 days	3,391
More than 180 days	2,267
<b>Total</b>	<b>14,367</b>

Prepayments comprise mainly advances to suppliers. Accrued revenue relates to revenue recognized in FY2022 but not invoiced until FY2023.

### Company Response

Ageing of net trade receivables are as follows:-

Aging	31 December 2022		
	Amount Owing	Loss Allowance	Net
	S\$'000	S\$'000	S\$'000
Current	4,679	-	4,679
31 to 90 days	3,858	-	3,858
91 to 180 days	3,399	(8)	3,391
More than 180 days	4,897	(2,718)	2,179
<b>Total</b>	<b>16,833</b>	<b>(2,726)</b>	<b>14,107</b>

6) Please explain whether any of the recorded Net trade receivables pertain to receivables from related parties. If there are receivables due from related parties, please disclose the breakdown of the amount.

### Company Response

The recorded Net trade receivables do not pertain to related parties.

7) Please indicate the amount of trade receivables that are past due, and the Company's actions to collect / plans for collection.

### Company Response

The amount of trade receivables that are past due are as follows:-

	S\$
1- 90 days	2,864,753
91-180 days	902,716
More than 180 days	1,419,905
	5,187,374

The past due trade debtors are expected to be recovered in the ordinary course of business. The Group may suspend or place limits on sales to customers until past due amounts are reduced or fully settled.

8) Please indicate whether there has been any changes to the credit sales policies in the financial year.

### Company Response

There have been no changes to the credit sales policies in the financial year.

9) Please explain whether these trade and other receivables mainly pertain to major customers of the Company, and whether the Company continues to transact with these customers.

Company Response

Past due trade debtor balances include certain major customers. However, there are often various reasons as to “late” payment such as incomplete or missing documentation or disagreements. The Group would normally liaise with the customers concerned to resolve these issues so as to facilitate settlement. The Group continues to transact with all major customers.

10) Please indicate whether there were any write-offs during the year for trade and other receivables, and the Board’s opinion on the reasonableness of the methodologies used to determine the value of the write-off of the trade and other receivables (if any).

Company Response

There were no write-offs of trade and other receivables during the year.

11) Please advise on the Board’s opinion for the collectability of the Trade and other receivables.

Company Response

The Board has assessed and are satisfied on the collectability of the trade and other receivables.

**Cash:**

12) Given the Group’s significant bank borrowings of \$7.8m (of which \$6.8m is unsecured) and cash and bank balance of only \$3.1m and noting that the Company incurred losses in FY2022, please disclose the Board’s assessment (i) whether the Company’s current assets are adequate to meet the Company’s short term liabilities, 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

### **Whether the Company's current assets are adequate to meet the Company's short term liabilities, including its bases of assessment.**

Though the Group recorded a loss in FY2022, it generated net cash flow of S\$2.9m from its operating activities. Furthermore as the Group's short term assets exceeded its short term liabilities by S\$0.7m, the Group expects that its collections from trade and other receivables in the normal course of business will be sufficient to meet its obligations in respect of its trade and other payables. The Board is therefore of the view that the Group's current assets are adequate to meet the Group's short term liabilities.

### **How the Company intends to fulfil its significant payment obligations in the next 12 months.**

The Group's bank borrowings (excluding lease liabilities) comprised principally (i) S\$5.3m short term trade facilities; (ii) S\$1.0m overdraft facility, (iii) S\$0.9m loan secured on leasehold properties of the Group and (iv) S\$0.4m short term loan. The Group's short term trade and overdraft facilities are revolving bank facilities and are not expected to be repaid in 2023. As for the secured loan, the Group expects the facility to be renewed upon its expiry.

With regard to S\$4.9m of contract liabilities from contracts with customers, these are mainly in relation to progress payments and advances received from customers. As such, these are expected to be settled by set-off against billings to be raised to customers upon fulfilment of their orders.

### **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.**

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

13) Please confirm whether any amount under the \$3.1m cash and bank balance, is encumbered.

## Company Response

We confirm that the amount under the S\$3.1 million cash and bank balance is not encumbered.

14) It is also noted that the Company consistently refinances its bank borrowings given that it has raised \$9m from new bank borrowings while repaying \$8.8m of bank borrowings over FY2021 and FY2022 collectively. Given the high interest rate

environment, will such refinancing every year result in a much larger interest cost? If so, will the Company face any difficulty meeting its financial facility covenants?

Company Response

The Group's bank facilities are mainly short term trade facilities which are drawn upon and retired in the normal course of business. The Group is cognizant of the increase interest expense in an increasing interest rate environment. However, based on the Group's bank borrowings of S\$7.6m at 31 December 2022, management does not currently expect the incremental interest rate to have an overly significant impact on the Group's ability to meet its financial facility covenants.

Notwithstanding the aforesaid, as noted in Section F (4) of the Group's Announcement of Full Year FY2022 Unaudited Results, management intends to look to dispose of its loss-making and non-core businesses as well as exploring other business and fund raising opportunities which may either contribute to the Group's earnings or improve its working capital position and capital base .

15) Please explain why the net losses from continuing operations in FY2021 of \$4.4m improved to \$29k of net profits recorded in FY2022, however operational cashflow decreased from \$6.0m in FY2021 to \$2.9m in FY2022.

Company Response

We set out below the reconciliation between profit/(loss) for FY2022 and FY2021 and the net cash flow generated from operating activities.

	FY2022	FY2021
	S\$'000	S\$'000
Profit/(Loss) for year	29	(4,382)
Loss due to Discontinued operations	0	(950)
Adjustments for non-cash items	3,521	4,931
Adjustment for working capital movements	3,550	(401)
Income taxes paid	(698)	6,360
Net cash flow generated from operating activities	(446)	(332)
	2,852	5,959

The primary contributing factor to the higher operational cashflow in FY2021 despite the loss of S\$4.4m is the adjustment for positive working capital adjustment of S\$6.4m in FY2021 compared to a negative working capital adjustment of S\$0.7m in FY2022.

**Trade and other payables:**

16) Please disclose the breakdown by age with regard to the Company's Trade and other payables.

Company Response

This is set out as follows:-

Aging	31 December 2022
	Trade and other payables
	S\$'000
Current	5,511
31 to 90 days	3,275
91 to 180 days	3,342
More than 180 days	4,261
<b>Total</b>	<b>16,389</b>

17) Please disclose whether the counterparties of such Trade and other payables are related parties, and if so, please provide the breakdown due to related parties.

Company Response

Non-current Other Payables included a S\$0.2m (FY2021:S\$0.25m) loan from Mr Quek Sim Pin, a director and substantial shareholder of the Company.

The loan provided is unsecured, interest free, with no fixed term of repayment and not repayable on demand. The loan arrangement was disclosed in Note 29 of the Company's Annual Report for the financial year ended 31 December 2021.

Except for the above, the counter-parties of Trade and Other payables are not related parties.

**By Order of the Board**

Quek Sim Pin  
Executive Chairman  
16 March 2023