Issuer: Acma Ltd.
Security: Acma Ltd.

Meeting details:
Date: 25 April 2018
Time: 9.00 a.m.
Venue: 17 Jurong Port Road, Singapore 619092

Company Description

Acma Ltd., an investment holding company, manufactures and trades in tools, automotive molds, and plastic injection molding products for the automotive and electronics industries in Singapore, China, South Asia, Europe, North America, Vietnam, and internationally. It operates through Tooling and Plastic Injection Moulding; Communications, Electronics, and Equipment Distribution; and Metal Packaging and Metal Printing Services segments. The company is also involved in the sale, maintenance, and rental of communication equipment, computer equipment, peripherals, and other office and industrial equipment and supplies. In addition, it distributes air-conditioner packaged and multi-split units. Further, the company produces metal containers, such as food cans, confectionery cans, paints cans, etc.; and provides customized metal printing services. The company was formerly known as China Auto Corporation Ltd. and changed its name to Acma Ltd. in April 2013. Acma Ltd. was incorporated in 1965 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AYV)

Q1. Would the board/management provide shareholders with better clarity on the following matters? Specifically:

a) **Xenon**: In its full year as a subsidiary since the acquisition on 4 July 2016, the subsidiary reported a full year loss of $(344,000). **Can management provide better visibility of the prospects of Xenon's business in metal packaging and printing? What were the reasons for the loss? Has the day-to-day management of Xenon changed since Xenon became a subsidiary of the Group in July 2016?**

b) **Investments in associates (Neftech & Femto): Can management update shareholders on the status of Neftech and Femto? Has management re-assessed the potential and prospects of these two associates? What are the group's mid-long term plans for the associates? Is the company going to continue to provide financial support to Neftech and Femto?**

c) **Credit risk:** In Note 37 (page 92 - Financial instruments and financial risks: Credit risk), trade receivables past due but not impaired increased to $21.9 million as at 31 December 2017, from $8.7 million a year ago. The amount past due less than 3 months jumped from $6.3 million to $20.0 million. **Can management help shareholders understand the reason for the huge increase? What are management's efforts to collect the outstanding debts?**

Q2. Principle 13 of the 2012 Code of Corporate Governance (Code) states that the company "should establish an effective internal audit function that is adequately resourced and independent of the activities it audits".

The company has stated the following (page 17):

> *"The Board has deliberated and agreed that the size of the current business and operations of the Group does not warrant the Group having an in-house internal audit function or to appoint internal auditors. Currently, the accounting team from the corporate office conduct internal audit on significant companies and report directly to its audit committee if required."*

a) **Can the audit committee (AC) help shareholders understand the deliberations it has gone through on the matter of appointing an internal audit function for the group?**

b) **Does the AC concur with the board's view that having an in-house internal audit function or appointing internal auditors is unnecessary?**

The Code specifically states that the establishment of an effective internal audit function that is "adequately resourced and ***independent of the activities it audits.*** [emphasis added]"

c) **Has the company deviated from the Code by appointing the internal accounting team to carry out the internal audit activities?**

d) **Would the board reconsider its deviation from the Code and appoint an in-house internal auditor or outsource its internal audit function?**

Q3. On 12 April 2018, the company announced that there were material discrepancies between the audited financial statements and the unaudited financial statements for the financial year ended 31 December 2017.

Examples of the discrepancies include:

Adjustment made	Reason(s)	Amount ($'000)
Reclassification within operating activities and	Gain on disposal of property, plant and equipment to proceeds from disposal of plant and equipment and others	282

between investment activities		
Reclassification within operating activities	Trade payables written back from trade and other payables	60
	Amortisation of long-term operating lease from Write-back on impairment of long-term operating lease	368
	Allowance on impairment of inventory obsolescence from Changes in inventories and work-in-progress	121
	Allowance on impairment of doubtful receivables from reversal of impairment of double receivables and trade and other receivables	674
Reclassification between investing activities and financing activities	From repayment of borrowings, repayment of finance lease and unrealised foreign exchange to purchase of property, plant and equipment and proceeds from borrowings	6,635

The Board has stated that the AC has the requisite financial management expertise and experience to discharge its responsibility properly, with the [AC] members bringing with them extensive managerial and financial expertise in their own professional capacities (page 16).

a) **Can the AC members elaborate further and help shareholders understand their individual relevant and recent accounting expertise and/or experience?**

b) **As the directors have responsibilities to oversee the group's financial reporting process, can the directors, especially the directors in the audit committee, help shareholders understand their individual and collective efforts in the preparation of the group's financial statements to give a true and fair view in accordance with the provisions of the Act and FRSs?**

c) **Has the AC evaluated if the internal finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**

d) **Following the material changes made after the finalisation of audit, what improvement has the AC made to the group's systems and processes?**