



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Acma Limited

Security: Acma Limited

Meeting details:

Date: 30 April 2019

Time: 9.00 a.m.

Venue: 17 Jurong Port Road, Singapore 619092

Company Description

Acma Limited, formerly China Auto Corporation Limited, is a Singapore-based investment holding company. The Company operates through Tooling and Plastic Injection Moulding; Communications, Electronics and Equipment Distribution; Investment, and Others segments. The Tooling and Plastic Injection Moulding segment manufactures molds mainly for the automotive and electronics industries, and produces plastic injected parts for the manufacturing sector. The Communications, Electronics and Equipment Distribution segment is a supplier of tele-communications, electronics and packaged air-conditioners. It offers products and services in distribution of packaged air-conditioners, and in supply of microwave tele-communications systems and electronic/computer related products. The Investment segment relates to the investment holding activities of the Company. The Others segment consists of its non-core businesses. Its subsidiaries include Acma ICCL Pte Ltd and Spageddies Pte. Ltd., among others. (Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AYV)

Q1. For the financial year ended 31 December 2018, it was stated that the group wrote-off the following (page 105):

During the financial year ended 31 December 2018, the Group wrote off S\$34,940,000 (2017: S\$Nil) of trade receivables. The amounts were trade receivables from third parties which have been outstanding for at least 7 years, are not secured and have been fully impaired in previous years. In consideration of the aforementioned factors and the financial ability of the debtors, the Group assessed there is no reasonable expectation of recovery.

During the financial year ended 31 December 2018, the Group wrote off S\$8,333,000 (2017: S\$Nil) of other receivables, of which S\$2,333,000 (2017: S\$Nil) was recognised in the profit or loss during the year. The amounts were non-trade receivables from third parties which have been outstanding for at least 7 years and are not secured. In consideration of the aforementioned factors and the financial ability of the debtors, the Group assessed there is no reasonable expectation of recovery.

- (i) Would management help shareholders recall the nature of the \$34.94 million in trade receivables?**
- (ii) Similarly, what was the nature of the \$8.33 million in other receivables?**

The carrying amount of \$2.33 million of other receivables has been on the balance sheet for the past seven years.

- (iii) Can management help shareholders understand the efforts to collect on these long outstanding debt?**
- (iv) Did the auditors and audit and risk committee consider and determine that the \$2.3 million in other receivables was not impaired in prior years? If so, what was the basis to consider so?**

Q2. On 15 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 1 March 2019) and the audited financial statements for FY2018 after the finalisation of audit.

Revenue increased by \$4.7 million as a result and total costs and expenses went up by \$5.0 million after the finalization of audit.

The audit adjustments/reclassifications included:

- \$4.7 million in revenue from the tooling and plastic injection moulding business was excluded due to the incorrect interpretation of the revenue recognition policy
- Exclusion of write-back of provisions amounting to approximately \$0.5 million
- Audit adjustment of impairment of other receivables - \$2.333 million

- Audit adjustment of write-off of recoverable amounts - \$0.3 million
- Audit adjustment of impairment of goodwill - \$(0.9) million
- Increase in Accumulated Losses of the Company/Amounts owing to subsidiaries was due to the reversal of a write-off of an inter-company balance which had been incorrectly made in the Unaudited Results

In fact, the company announced discrepancies between its audited and unaudited results for the financial year ended 31 December 2017 as well.

The audit and risk committee (ARC) comprises Robert Low Mui Kiat (as chairman), Low Seow Chye and Tan Keng Lin.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (ii) Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Would the members of the ARC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (iv) Can the ARC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**

Q3. In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

The board currently has five members, including three independent directors.

Mr. Low Seow Chye, Mr. Robert Low Mui Kiat and Mr. Tan Keng Lin were appointed on 12 July 1990, 11 December 2009 and 23 August 2012.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

(ii) Has the nominating committee 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?

The nominating committee (NC) has stated that it “considers various sources in seeking suitable candidates for new directors, including search companies or recommendations from, among others, directors, business associates and advisors”.

(iii) Has the NC evaluated if the use of a professional search firm for independent directors may enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?

A copy of the questions for the Annual Report for the financial year 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Acma%20Ltd&cid=4555>

The company's response could be found here: -----