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**Issuer:** Acma Ltd

**Stock code:** AYV

**Meeting details:**

Date: 18 Jun 2024

Time: 9.00 a.m.

Venue: 19 Jurong Port Road, Singapore 619093

**Q1.** The company is in the process of disposing of its tooling and plastic injection moulding business segments through the sale of Acot Plastics (Xiamen) Co., Ltd. and Acot Tooling (Xiamen) Co., Ltd. In prior years, the company also disposed of the metal printing and packaging services business.

The group's other business segments consist of the distribution of communications, electronics and other equipment plus ancillary services; and investments (Note 30 Segment information).

Revenue for the year ended 31 December 2023 was \$11.0 million and the group recorded a loss from continuing operations of \$(2.1) million for the year. At the company level, the accumulated losses amount to \$(192.8) million out of share capital of \$195.0 million, with \$2.24 million of equity remaining attributable to owners of the company.

- (i) **For the benefit of shareholders, can the company provide an overview of the scale of its remaining communications, electronics, and equipment distribution business? What are the key value drivers and how does management create and capture value in this business model?**
- (ii) **What are the main products and services offered by the group, and what are the profiles of the major customers?**
- (iii) **What is the group's competitive advantage in the communications, electronics and equipment distribution business?**
- (iv) **Can management elaborate further on the plans to restore the group's profitability? What are the five main operational priorities in FY2024?**

**Q2.** As noted in the statement by the executive chairman, with the disposal of the PRC-based plastic injection moulding and mould manufacturing subsidiaries, the group is carrying out a search for new businesses (page 3 of the annual report).

- (i) **Has the board approved the search for new business ventures? If so, what is the criteria used by management in its search for a new business?**
- (ii) **How is the search carried out?**

The share price of the company has declined over the years, and the last traded share price is \$0.02 per share (See chart below). The company last paid a dividend in 2001. Based on SGX StockFacts<sup>1</sup>, the company's market capitalisation is \$0.85 million.

To put things in perspective, the remuneration of the executive chairman is approximately \$0.3 million in FY2023, or more than 35% of the entire market capitalisation of the company.



(Source: <https://sg.finance.yahoo.com/quote/AYV.SI/>; data available from year 2000)

<sup>1</sup> <https://investors.sgx.com/securities/stocks?security=AYV>  
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- (iii) **Has the board, especially the independent directors, evaluated the group's track record in creating value for shareholders? Specifically, what is the total shareholder return over the past 5, 10, 20 and 35 years?** It is noted that Mr Quek Sim Pin has been the executive chairman of the company for the past 35 years (since 1989).
- (iv) **How have the directors, as fiduciaries who act objectively in the best interest of the company, assessed and held management accountable for performance (Provision 1.1: Principal duties of the board; page 11)?**
- (v) **Could the nominating committee (NC) provide further insights into the group's succession plans for executive director(s)?**

As shown in the director's biography, Mr Quek Sim Pin, as the executive chairman, has other principal commitments as director of four other private companies, namely Neurotrend Pte Ltd, Lasvin Pte Ltd, Evobios Asia Pte Ltd and Agrimax Pte Ltd.

- (vi) **Can the board, especially the NC, help shareholders better understand if there are any benefits of having the executive chairman hold directorships in four private companies? Is the director serving as a full-time executive chairman?**

**Q3.** In the corporate governance report, the company has noted that the board has deliberated and agreed that the group will not have an in-house internal audit function or appoint internal auditors (page 24).

The board is cognisant of Listing Rule 719(3) which states the following:

*An issuer must establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.*

Chapter 7 of the SGX Rulebook sets out continuing requirements which an issuer is required to observe.

**(i) Has the company received a waiver from SGX-ST for not complying with Listing Rule 719(3)?**

In lieu of appointing internal auditors, the company has the following arrangements:

- the continuous periodic review of the operations by senior head office managers and the Group finance department (all of whom are independent of the operating subsidiaries);
- the inclusion of head office managers as directors on the boards of the operating subsidiaries for additional oversight;
- the inclusion of head office managers as counter signatories for major bank accounts of the operating subsidiaries; •
- the employment of independent consultants where appropriate to assist in continuous review of management figures of certain key subsidiaries;
- conduct of internal audit on operating companies by the corporate finance team members on significant companies (the corporate finance team is independent of the operating companies which they audit);
- regular reviews by head office managers on the Group's businesses and operational activities through discussions with operating management, to identify significant business risks as well as to introducing appropriate measures to control and mitigate these risks;
- discussions with the external auditors on their observations and findings during the conduct of their audit, in particular in relation to the internal controls of the operating companies.

**(ii) Has the audit and risk committee (ARC) reviewed and approved the current arrangement? How does the ARC review the adequacy, efficacy, and independence of these practices? Does the current arrangement meet international internal auditing standards?**

**(iii) Will the ARC be looking to appoint an internal auditor?**

*Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.*

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