



ASIAN MICRO HOLDINGS LIMITED

COMPANY REGISTRATION No: 199701052K

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON ANNUAL REPORT FOR FINANCIAL YEAR ENDED 30 JUNE 2022

The Board of Directors (the “**Board**” or “**Directors**”) of Asian Micro Holdings Limited (the “**Company**” or “**AMH**” and together with its subsidiaries, the “**Group**”) wishes to announce that it did not receive any questions from shareholders as at the cut-off timeline for submission of questions as at 10.00 a.m. on 17 October 2022.

The Board further refers to the questions raised by Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s Annual Report for the financial year ended 30 June 2022 (“**FY2022**”), and set out the Company’s responses and the corresponding questions from SIAS below:

Q1. As shown in the corporate profile, the company has been listed since September 1999 on SGX-SESDAQ which is now known as SGX-ST Catalist Board.

The group is engaged in the provision of Compressed Natural Gas (“CNG”) supply and related products & services, providing clean room grade plastic packaging bags and materials for packaging cleaned finished products in the hard disk drive and semiconductor industries, leasing of commercial properties and property development.

(i) Can management elaborate on the growth prospects of the CNG business in Singapore and in the region?

[Company's response to Q1\(i\)](#)

The growth prospects of the CNG business in Singapore and in the region are challenging due to diminishing CNG supply, pricing pressure from customer and rising operational costs.

(ii) What is the group’s competitive advantage, if any, in CNG?

[Company's response to Q1\(ii\)](#)

As the Group has been in the CNG business since 2010, its employees possess the relevant skills, abilities and experience to deliver high quality products and value-added services to its customers. At the same time, however, the Group face the challenge of limited customer base and rising natural gas prices.

After more than 23 years listed on the SGX, the group has equity attributable to shareholders of \$2.32 million, with net tangible assets (NTA) declining to 0.15 Singapore cents per share. In the past 10 years from FY2013 to FY2022, the group was only profitable twice – it earned 0.1 cents per share in FY2015 and 0.002 cents per share in FY2020.

The last dividend paid was 15 years ago in 2007. The dividend amount was \$0.0005 per share.

Accumulated losses were \$(39.5) million in FY2012 and has slipped further to \$(42.8) million as at 30 June 2022 over the past decade.

(iii) Would the board help shareholders better understand the goals set for the group in terms of its operational and financial performance?

[Company's response to Q1\(iii\)](#)

The principal functions of the Board, apart from its statutory responsibilities include but are not limited to setting the overall strategies which takes into consideration

sustainability issues, financial objectives and direction of the Group, as part of its strategic formulation.

The Board is constantly monitoring and assessing the Group's operational and financial performance, which includes the review and approval of the Group's budget with focuses on its operational efficiency, cost control, cash conservation and ensuring sustainability of its existing businesses.

At each Board meeting, the Management provides operational and financial updates to the Board for detailed discussions. In between formal Board and Board Committees' meetings, the Executive Directors and the Management keep the Board informed of the Group's business and performance through regular updates and reports as well as through informal discussions. The Directors are also constantly in touch with the Management to provide advice and guidance on strategic issues and on matters for which their expertise will be constructive to the Group. Adhoc meetings are convened as and when required, and as frequent as warranted by particular circumstances.

Shareholders are well-informed of the Group's financial health by the Company's relevant announcements via SGXNet. The Company strives to ensure regular, effective and fair communication with its shareholders, and be as descriptive, detailed and forthcoming as possible in disclosing the information and to inform shareholders of changes in the Company or its business which would likely to materially affect the price or value of the Company's shares.

The Company does not practise selective disclosure. All material and price sensitive information as well as information on the Company's new initiatives are publicly released via SGXNet. In addition, the Company also responds to enquiries from shareholders, investors, analysts, fund managers and the press.

(iv) Has the board monitored management's performance towards achieving its long-term objectives?

[Company's response to Q1\(iv\)](#)

The Board, in particular, the Audit Committee ("**AC**"), reviews with the Management the announcement of its half-year and full-year results of the Group and its financial statements, including the Group's budget for the purpose of monitoring its performance towards achieving its long-term objectives. The AC also has explicit authority to investigate any matter within its Management and reasonable resources to enable it to discharge its duties properly.

Mr. Lee Teck Meng Stanley is the nephew to Mr. Lim Kee Liew @ Victor Lim (the executive chairman, CEO and group managing director) and his spouse, Mdm. Leong Lai Heng (a controlling shareholder and a director of the subsidiaries of the company).

(v) As a board director and a member of the nominating committee and remuneration committee, how is Mr. Lee Teck Meng Stanley able to, or be reasonably perceived to be able to, exercise his independent business judgement and review the performance of Mr. Lim Kee Liew @ Victor Lim (the executive chairman, CEO and group managing director) who is also his uncle?

[Company's response to Q1\(v\)](#)

The Nominating Committee ("**NC**") undertakes a rigorous review of the independence of Mr. Lee Meng Teck Stanley ("**Stanley Lee**"), taking into account, his contributions and objective judgements without vested interest or conflict of interest at the Board and Board Committees' meetings, circumstances and the substance of his independence.

In the current or immediate past financial year, Mr. Stanley Lee has not been engaged by the Company for any provision of strategic advisory services and is free from any relationship with the Company, its related corporations, its substantial shareholders and its officers that could interfere or be reasonably perceived to interfere, with his exercise of independent business judgement with a view to the best interests of the Company.

For good corporate governance, Mr. Lim Kee Liew @ Victor Lim (“**Victor Lim**”) had also abstained and recused himself from participating from all discussions on the review of independence of Mr. Stanley Lee.

Separately, the Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole and individual Directors on an annual basis. In evaluating the Board’s, Board Committees’ and self-assessment of each individual Director’s performance, the NC considers a comprehensive set of quantitative and qualitative performance criteria that has been approved by the Board. The performance evaluation on the effectiveness of the Board as a whole includes assessment and evaluation of the (A) Board’s composition, (B) Board Information, (C) Board Process, Internal Control & Risk Management, (D) Board Accountability, (E) Chief Executive Officer (“**CEO**”) / Top Management and (F) Standards of Conduct.

The NC also conducts an assessment on the self-assessment of each individual Director on an annual basis where each Director is required to complete his self-evaluation based on the (1) Understanding of Company’s mission, vision and values; (2) Corporate governance knowledge, (3) Business development efforts; (4) Training attendance; (5) Met targets set by Board (for Executive Director only) or maintenance of independence (for Independent Director only) and/or devotion of sufficient time (for Non-Executive Director) as well as his contributions and focus areas. Such self-assessment includes the self-assessment of Mr. Victor Lim, who is the CEO and Group Managing Director. Mr Cheah Wee Teong, an Independent Director, was appointed as Independent Non-Executive Chairman of the Board in place of Mr. Victor Lim with effect from 1 January 2022.

These completed assessments/questions are submitted to the Company Secretary for collation and the consolidated responses and findings are analysed and discussed at the NC meeting before submitting to the Board for further discussion with a view to implementing certain recommendations to further enhance the effectiveness of the Board and the Board Committees.

- (vi) For the benefit of shareholders, can management map out a clear path to sustained and increasing profitability for the group?**

[Company’s response to Q1\(vi\)](#)

The Group constantly explores suitable sustainable business and/or investment opportunities to expand its income sources.

Considering its management expertise, financial position and relevant industry prospects, the Group will also carefully assess and filter investment opportunities for both its core business and potential business growth areas. Such investment opportunity, if any, will be announced as appropriate when it materialises.

- (vii) What assurance can the board give to shareholders that it is diligently discharging its duties, especially in strategy formulation, supervision of the group’s businesses and affairs and review of the financial performance of the group?**

[Company’s response to Q1\(vii\)](#)

Please refer to the Company’s response to Q1(iii) above.

Q2. On 31 August 2022, the company announced the proposed acquisition of up to 40% of the total issued share capital of Asian Micro Realty Development, Inc. The company had earlier proposed a similar acquisition on 21 September 2021 which has since lapsed due to the non-fulfilment of the conditions precedent as set out in the agreement.

- (i) What were the outstanding conditions precedent that led to the lapse of the earlier agreement?**

[Company's response to Q2\(i\)](#)

Please refer to the Company's announcements on 31 August 2022 and 5 September 2022 respectively.

It was also disclosed that the vendors had undertaken and procured the restructuring of the target company to ensure that the sale of any shares would be compliant with Philippines laws.

(ii) In what way was the earlier agreement not compliant with the Philippine laws?

[Company's response to Q2\(ii\)](#)

Please refer to the Company's announcements on 31 August 2022 and 5 September 2022 respectively.

The net tangible asset value and net asset value of the Target Company as at 31 December 2021 were both Php78,149,700 (S\$2,063,700).

The company has proposed to buy 30% of the issued shares of the target company for \$2,400,000 and an addition 10% via option shares for \$800,000 as an interested person transaction.

(iii) How was the negotiation carried out by the company given that vendors are the executive chairman, CEO and group managing director and his spouse?

[Company's response to Q2\(iii\)](#)

The transaction and the relevant terms were proposed by the Vendors to the management of the Company (acting through the CFO of the Group). The proposal was considered and reviewed by the CFO, who consulted with the Independent Directors and the legal advisor of the Company.

(iv) What was the level of involvement in the negotiation by the independent directors?

[Company's response to Q2\(iv\)](#)

The Independent Directors were presented with the proposal for the transaction and had reviewed, provided their input and approved the proposal.

The transaction is conditional upon, amongst other things, the satisfaction of financial, operational and legal due diligence to be carried out on the Target Company, and the Independent Directors will take into consideration the results of such due diligence before making a decision whether to proceed with the acquisition of the Sale Shares and/or the Option Shares. As the transaction is also an interested party transaction, the AC of the Company comprising Mr Chue Wai Tat, Mr Cheah Wee Teong and Mr Lee Teck Meng Stanley will also obtain an opinion from an independent financial adviser before providing their recommendations to the transaction.

(v) Can the independent directors comment on the purchase price of this IPT when the company is proposing to acquire up to 40% of the target company for as much as \$3.2 million when the net tangible asset of the target company is only \$2.06 million (at 100%)? How will the proposed acquisition lead to long-term value creation, especially for minority shareholders?

[Company's response to Q2\(v\)](#)

Please refer to the Company's announcements on 31 August 2022 and 5 September 2022 respectively.

In the company's announcement dated 31 August 2022, the financial effects are shown as follows:

6.2 NTA

	Before the Proposed Acquisition and the Proposed Option Acquisition	After the completion of Proposed Acquisition only	After the completion of the Proposed Acquisition and the Proposed Option Acquisition
NTA (S\$'000)	2,325	4,725	5,525
NTA per Share (Singapore cents)	0.15	0.25	0.27

+\$2,400,000 (between 2,325 and 4,725)
+\$800,000 (between 4,725 and 5,525)

(Source: company announcement dated 31 August 2022; graphics added)

- (vi) **Can the company elaborate further and show how the NTA is expected to increase by \$2.4 million and by a further \$0.8 million when the company is paying these amounts but only acquiring 30% and a further 10% (via option) of the target company that has net tangible asset of \$2.06 million (at 100%)?**

[Company's response to Q2\(vi\)](#)

The net tangible assets ("NTA") is expected to increase by Cost of Investment via the issuance of Consideration Shares and Option Consideration Shares at the Purchase Price of S\$2.4 million and Option Price of S\$0.8 million.

- (vii) **Did the sponsor and the auditor review the pro forma financial effects?**

[Company's response to Q2\(vii\)](#)

The continuing sponsor of the Company reviewed the pro forma financial effects as per the requirements of the relevant Catalist Rules to ensure the disclosure is in compliance with the listing rules. The continuing sponsor has not undertaken any due diligence or audit of the financial information provided and it is the responsibility of the Company to ensure the accuracy of the information.

The pro forma financial effects were not reviewed by the auditor.

- (viii) **What role did the sponsor play in the proposed IPT, including the deal negotiation and in the preparation of the announcement?**

[Company's response to Q2\(viii\)](#)

The responsibility of the continuing sponsor is to ensure that the disclosure of the announcement is in compliance with the relevant Catalist rules.

The continuing sponsor has reviewed the announcement accompanied by the relevant supporting documents provided by the Company and also assessed the suitability of the professionals involved in the proposed IPT, including the lawyer, independent financial advisor and valuer.

- (ix) **How will the independent directors be selecting the independent financial adviser?**

[Company's response to Q2\(ix\)](#)

The Company had considered various candidates and had settled on ZICO Capital Pte Ltd as its independent financial advisor. ZICO Capital Pte Ltd was selected having considered, amongst other things, their track record and experience in similar transaction.

- Q3.** As disclosed in the corporate governance report, the internal audit function is currently being outsourced to NLA Risk which reports directly to the audit committee (AC) chairman.

The company has stated the following (page 30):

The AC will review the findings of the Internal Auditors and will ensure that the group follows up on the Internal Auditors' recommendations. The AC will review the adequacy of the internal audit function annually to ensure that the internal audit function is adequately resourced and able to perform its function effectively and objectively.

- (i) What were the scope and the key findings of the internal audit?**

[Company's response to Q3\(i\)](#)

The scope of internal audit for FY2022 was Sales to Collection process for ACI Industries Pte Ltd and AM NGV (S) Pte Ltd. There was no significant observation noted by the Internal Auditors ("IA").

- (ii) How was the scope of the internal audit plan determined? What is the length of the internal audit cycle?**

[Company's response to Q3\(ii\)](#)

The scope of the 2-year internal audit plan was determined based on the AC's assessment of the key business activities and risks at the Group.

- (iii) Are the group's foreign entities included in the internal audit?**

[Company's response to Q3\(iii\)](#)

No.

- (iv) What were the recommendations of the IA? How does the AC monitor and follow-up on management's implementation of the IA's recommendations?**

[Company's response to Q3\(iv\)](#)

The recommendations of the IA are to ensure that documentation of the review of sales transactions and accounts receivable is in place. To ensure that the IA's recommendations are implemented, the AC has tasked the IA to carry out a follow up audit when they perform the next internal audit work in FY2023.

BY ORDER OF THE BOARD

Cheah Wee Teong
Independent Non-Executive Chairman
20 October 2022

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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