

## ACME HOLDINGS BERHAD

Company No. 198901012432 (189740-X)  
51-8-A Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang

Date: 30 August 2022

### Minority Shareholders Watch Group

Level 23, Unit 23-2, Menara AIA Sentral  
No. 30 Jalan Sultan Ismail  
50250 Kuala Lumpur.

### Attention: Mr. Devanesan Evanson

Chief Executive Officer

Dear Sir,

### **32<sup>nd</sup> Annual General Meeting (AGM) of ACME HOLDINGS BERHAD ("the Company" or "the Group")**

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We refer to your letter dated 15 August 2022 and are pleased to furnish herewith the Company's response to the queries raised by Minority Shareholders Watch Group.

#### **Operational and Financial Matters**

- 1) The Group's share of total comprehensive loss in a joint venture company, Skymind Intelligent Systems Sdn. Bhd. ("SIS") has increased further to RM31,103 in FY2022 as compared to a loss of RM2,861 in FY2021. (Page 88 of AR)

The higher loss was due to higher finance costs of RM97,116 in FY2022 as compared to RM Nil in FY2021.

- (a) What were SIS's revenue in FYs 2021 and 2022?

*The company has not commenced operations, thus no revenue was generated in FYs 2021 and 2022.*

- (b) What was the reason for the Group investing in SIS?

*SIS intends to develop new advanced edge computing services that support 5G network roll-outs across Malaysia. SIS will benefit from the country's digital transformation through the innovative and widespread use of artificial intelligence (AI) and data deployment. The Company foresee this investment as a good business opportunity as almost all segments of the economy will incorporate AI technology to reduce operational costs, increase business efficiency, grow revenue and improve customer experience.*

- (c) When does the Group foresee SIS turning profitable?

*SIS expects to commence commercialisation by the first quarter of FY2024.*

2) The Group paid RM3,240,000 pursuant to the Sale and Purchase Agreement dated 28 January 2022 entered between the Company and Ramsey Properties Sdn. Bhd. in relation to the acquisition of 6 units of properties for a total consideration of RM8,000,000. (Page 89 of AR)

(a) What was the reason for acquiring the 6 units of properties from Ramsey Properties Sdn. Bhd.

*The purchase price of RM8,000,000 represented a discount of about 11% to the market value of RM9,000,000, thus the Board of Directors believed that the acquisition represented a good opportunity for the Company to increase its operational facilities and/or to rent out to generate rental income.*

(b) Where is the location and what are the features of the 6 units of properties acquired?

*The 6 units of the properties (collectively referred to as the "Properties") are located in One Stop Shopping Centre (also called Midlands 1-Stop Centre or Midlands Park) and Midlands Park is located along Jalan Burmah, Pulau Tikus, Penang. It has seven storey of retail space including two level of basement car parks providing ample parking space. The total built-up area of the Properties is 83,908 sq. ft. The Properties are currently vacant but are suitable to be used as retail shoptots, hotel or medical centre.*

(c) What is the expected return from the investment in the 6 units of properties acquired?

*The Properties are expected to have a minimum yield of 3% per annum.*

3) The Group's investment in quoted shares in Malaysia was RM167,250 in FY 2021 and RM184,800 in FY 2022. The higher value is due to the appreciation in value of the quoted shares. (Page 90 of AR)

(a) What was the reason for the investment in quoted shares in Malaysia?

*The Company invested some of its surplus funds in 2 blue chip counters on Bursa Malaysia Securities Berhad to earn higher returns.*

(b) Please provide the stock name and value of the investments in quoted shares for FY 2022.

<b>Quoted Share</b>	<b>Value (RM)</b>
<i>Malayan Banking Berhad</i>	<i>44,700</i>
<i>Public Bank Berhad</i>	<i>140,100</i>

4) The Group reported a lower revenue from its property development segment in FY 2022 (RM1.71 million) and a higher segment loss of RM1.43 million in FY 2022 as compared to RM14.7 million revenue and segment profit of RM3.4 million in FY2021. (Pages 101 & 102 of AR)

The reason for the lower revenue from the property development segment was due to there being no new property project launches in FY 2022.

(a) Why did the Group not launch any property project in FY 2022?

*The Group will be embarking on the final phase of the project which involves 6 blocks of 12-storey condominiums (404 units) located in Teluk Air Tawar, Seberang Perai Utara, Penang on a piece of 11-acre land. The Group targets to launch phase 1 of this development project in the third quarter of year 2022 and forecasted to generate a gross development value of approximately RM99.3 million. The Group was not able to launch this project in FY2022 due to delay in obtaining the requisite approvals from the relevant government departments.*

*The Group has another housing development project in the pipeline which we expect to launch in the fourth quarter of year 2022. It involves an affordable housing scheme consisting of 2 blocks of 39-storey apartments (646 units) on 2 adjoining parcels of freehold development land in Air Itam, Penang with a total land area measuring approximately 4.1 acres. The gross development value is forecasted to be approximately RM194.37 million.*

- (b) Please explain the reason for the high segment loss in FY 2022?

*During the financial year, the property development segment has only one on-going property development project comprising 1 block of 7-storey low-cost flat (160 units) at Block P2, Taman Bayu Aman, Teluk Air Tawar, Seberang Perai Utara, Penang. The low-cost flat has a mandatory maximum selling price of RM42,000 which is substantially below the development cost of the unit. Hence, the low-cost project did not contribute any profit to this segment in FY 2022.*

- (c) Why is the Group's property development revenue in FY 2022 concentrated to 1 customer only? (Page 103 of AR)

*The 1 customer that individually contributed to more than 10% of the Group's revenue mentioned in AR is referring to the manufacturing segment and not the property development segment.*

- (d) What is the single customer's contribution to the property development revenue in FY 2022?

*The single customer's contribution to manufacturing revenue is ABBA Marketing Sdn. Bhd.*

- 5) The Group's completed development units remain the same in FY 2022 and FY 2021 at RM1.1 million for both years FY 2021. (Page 83 of AR)

- (a) Please provide the breakdown of the completed units by category of affordable homes and condominiums.

<b>Category</b>	<b>Units</b>
<i>Low-cost Project</i>	
<i>- Flat</i>	<i>5</i>
<i>- Shoplot</i>	<i>5</i>

- (b) What were the challenges faced by the Group in selling the completed development units?

*The sale of low-cost flat is restricted to eligible buyers registered with the Penang Housing Board under the Penang State Government. Currently the government*

*agency allows only the sales of our ongoing low-cost project but not the completed units.*

*Although there is no restriction on the sale of low cost shoplots, the demand is not encouraging due to the small population living in the immediate vicinity. We foresee better demand upon completion of our ongoing low-cost project which is located next to the unsold shoplots.*

- (c) Has the Group managed to sell the completed development units since the last FY 2022. If yes, what is the value sold.

*The Group has not sold any completed low-cost flats since the last FY 2022.*

### **Corporate Governance Matters**

- 1) The Board is in the midst of seeking suitable candidates for the Board to restructure the composition of the committees to comply with the recommendation that the Chairman of the Board should not be a member of Audit Committee, Nomination Committee and/or Remuneration Committee. (Page 23 of AR)

Currently, the Chairman of the Board is also the chairman of the Nomination and Remuneration Committees.

What is the timeline for the Board to appoint suitable candidates to be the Chairmen of the Nomination and Remuneration Committees? It would be good if the Board considers female candidates to be appointed as there are no women on the current Board.

*The Board is confident that a suitable candidate can be appointed during the FY2023.*

- 2) The Group recorded a loss after tax of RM2.59 million in FY 2022 as compared to a profit after tax of RM2.58 million in FY 2021. (Page 52 of AR)

Mr. Ooi Soon Hong, the Executive Director, ("ED") was paid a salary of RM300,000 and a bonus of RM181,283 in FY 2022. The bonus payment constituted 60.4% of his salary.

Please explain why the ED was paid a higher bonus of RM181,283 in FY2022 as compared to RM150,000 in FY2021 even through the Group had suffered a loss in FY 2022? Normally, bonus commensurate with profit.

*The actual bonus received by the ED in FY2022 was RM150,000 which is the same as FY 2021. The additional amount of RM31,283 was due to provision for bonus for January to March 2022 which remains unpaid.*

*Although the Group recorded a loss after tax of RM2.59 million in FY 2022 as compared to a profit after tax of RM2.58 million in FY 2021, the Group had undertaken a few corporate exercises and also exploring property development opportunities to enhance shareholders value.*

*The Company strive to ensure that the remuneration package of the ED commensurate with his level of responsibilities, qualification, experience and competence and taking into account similar packages at comparable companies in Malaysia (of similar size and complexity to the Company and in the same industry).*

We trust the above suffices. Do contact us should you require further clarification and/or information.

Yours faithfully,  
For and on behalf of the Board of  
**ACME Holdings Berhad**

**OOI SOON HONG**  
Executive Director