

ACROMETA GROUP LIMITED
(Company Registration No. 201544003M)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING TO HELD ON 30 JANUARY 2023, 10AM
- RESPONSES TO QUESTIONS RAISED BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”)

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) Product defects and liability: As a specialist engineering service provider designing and constructing mission critical facilities, such as cleanrooms, medical facilities (operating theatres, isolation wards etc) and laboratories, what is the level of oversight by the board in ensuring that the facilities meet all the minimum standards and technical specifications? How long is the defect liability period, if any? In addition, what are the potential liabilities with regard to defects and what are the safeguards put in place to mitigate the risk of any defects?**

Company response:

The Group has an in-house engineering Team with technical expertise in laboratory & cleanroom design. We also have technical solution team with expertise in laboratory & cleanroom testing & commissioning, to verify design and performance on site to required quality level. The Group is ISO certified 9001, 14001 and 45001 and bizSafe Star. The Group also engaged subcontractors that has good references in carrying out specific services required to enable achievement of the relevant project objectives. The Board obtains and reviews regular updates during meetings with management in the performance of the business and ensures that the required financial and human resources are available to meet business objectives. The Board also notes that the Group has an established history and track record as a specialist engineering service provider in controlled environment. Defect liability period typically range from one to two years and the Group has an established track record of its quality, having been in business for more than twenty-five years.

- (ii) Manpower: What is management’s strategy to deal with the current manpower shortages and the increasing labour costs?**

Company response:

The Company is not in a position to disclose in details such commercially sensitive information. The Group continues to manage its manpower resources, amid a continued tight foreign labour market, which the whole construction industry is also facing, as well as inflationary pressures from geopolitical tensions and the Ukraine war. The Group’s manpower has increased in the financial year ended 30 September 2022 to support the increase in revenue.

- (iii) Gross profit margin (EPC): In the Engineering, Procurement, Construction (EPC)**

segment, the gross profit margin was 14% in FY2022. The average gross profit margin was as low as 4% in the past 5 years and it averaged 12.2%. **What are the levers available to management to increase the gross profit margin? What target has the board set for management to achieve in terms of gross profit margin? Is the group able to pass on the increases in costs to the customers?**

Company's response:

The Company is not in a position to disclose in details such commercially sensitive information. To manage its margins, the Group tries to achieve a good mix of long term and short term duration projects as well as a good mix of private and public sector projects. In addition, it continues to exercise stringent cost control over its projects. The Group continues to face a competitive business landscape and a balanced and risk-based approach is adopted. It is not possible to set a gross profit margin for each project as each project has its risks and other factors to consider. Notwithstanding, the Group has in place control safeguards that to embark on a project that is below a minimum gross margin, it requires approval from the whole top management team.

- (iv) **Waste-to-energy plant:** The group experienced a disruption in its manure handling service due to recent regulations on dust explosion risk. As a result, \$2.82 million was "recharged" by the counterparty to the group. **What is the nature of the "recharge" and how was the amount determined? How is the \$2.8 million "recharge" recognised in the financial statements? What is the expected time, man-hours and capital expenditure required in the redesign of the plant and the operating procedures?**

Company's response:

The nature of the recharge relates to manure handling cost incurred by the counterparty. The Company is of the view that the disruption due to factors beyond the Group's control does not constitute a material breach of the contract terms. As it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation associated with the disruption in manure handling service, no provision has been made with regards to the above recharge. The improvement works relate to additional work done to enhance controls on risk of dust explosion following the introduction of new regulations recently, which is beyond the Group's control.

Q2. On November 28, 2022, the company proposed to undertake a renounceable non-underwritten rights issue of up to 138,563,978 new ordinary shares in the capital of the company at an issue price of \$0.02 for each rights share, on the basis of one rights share for every one existing ordinary share in the capital of the group.

Based on the company's announcement dated 9 January 2023, the company's controlling shareholder, Ingenieur Holdings Pte. Ltd., renounced the right entitlements in favour of Mr Levin Lee in exchange for the settlement of a loan of \$200,000. The company further disclosed that it understands that Mr. Levin Lee intends to subscribe for the provisional allotments from Ingenieur Holdings in full. This will result in the subscriber becoming a new controlling shareholder of the company with a stake of 23.86% of the enlarged paid-up share capital.

(i) Is the company aware of any other transactions and/or dealings between Ingenieur and Mr Levin Lee?

As queried by SGX RegCo, Rule 803 of the Catalist Rules states that an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in general meeting.

Company's response:

The Company is not aware of any other transactions and/or dealings between Ingenieur and Mr Levin Lee.

(ii) Has the company obtained an undertaking from the controlling shareholder that it would vote in favour of such a resolution if it was proposed at a shareholder meeting?

Company's response

No, the Company has not obtained such an undertaking but has obtained positive indications from the controlling shareholders that it will be able to obtain such an undertaking if necessary.

(iii) As the company has disclosed that Ingenieur Holdings was not able to get consensus to subscribe for the entitlement, how can the company/board ensure that Ingenieur Holdings would vote in favour of a resolution relating to the transfer of a controlling interest (i.e. Rule 803)?

Company's response

These are two separate matters. The subscription for the entitlements is a question of capital and funding for Ingenieur Holdings. As mentioned above, the Company has obtained positive indications from Ingenieur Holdings that it would vote in favour of such a resolution.

(iv) Can the independent directors help shareholders understand how the transfer of a controlling interest (amounting to 23.86% stake in the enlarged company) at \$0.02 per new rights share would benefit the company and its current shareholders?

Company's response

As Ingenieur Holdings did not take up its rights entitlements, Mr Levin Lee taking up such rights entitlements would ensure the injection of a certain amount of capital for the Company to achieve its objectives as set out in the announcement on 28 November 2022 and in the OIS. The rights issue is also offered to all shareholders on a pro rata basis and no shareholder is prejudiced in any way as a consequence of the rights issue regardless of Rule 803 and its application.

In any event, Mr Goi Chew Leng, Mr Chew Chee Keong and Mr Lim Say Chin (who are directors of the Company) and through their deemed interests in Ingenieur Holdings remain collectively the single largest shareholder even after the completion of the rights issue (assuming all rights are taken up). As such, there is no *transfer of controlling interest* but only an addition of a controlling shareholder by virtue of Mr Lee shareholding exceeding 15%.

As disclosed by the company on 15 December 2022, the listing and quotation notice (LQN) is subject to compliance with the listing requirements of the SGX-ST.

- (v) Is there a risk that SGX-ST would withdraw the listing and quotation notice (LQN) for the listing and quotation for up to 138,563,978 new rights shares?**

Company's response

The Company is unable to speculate on such a risk. However, the Company has not received any indication from SGX-ST that it is withdrawing its listing and quotation notice for the rights shares.

Q3. On 25 November 2022, the company announced the appointment of Mr. Mahtani Bhagwandas as an independent director and also assumed the positions of chairman of nominating and a member of remuneration committee and of the audit committee.

It was disclosed that Mr. Mahtani Bhagwandas has been subject to a suspension order from practising as an advocate and solicitor for a period of 2 years “from about 14 June 2021”.

Mr. Mahtani has also been the subject of following investigations or disciplinary proceedings:

- disciplinary proceedings under the Law Society in 2018;
- SGX disciplinary proceeding (“SGX Disciplinary Action”) in 2019 / 2020 which resulted in a private warning, for which an SGX appeal is ongoing;
- disciplinary proceedings under the Law Society in 2020;
- Suspension Order and misconduct charges by the Court in 2021; and
- an investigation by Commercial Affairs Department involving certain private companies, in which Mr Mahtani is/was a nominee director.

The company’s response to SGX RegCo’s queries on the appointment of the said director can be found here:

<https://links.sgx.com/FileOpen/Response%20to%20SGX%20queries.ashx?App=Announcement&FileID=740064>

In addition, it was disclosed that Mr Mahtani is a personal friend of Mr Lim Say Chin, the executive chairman, and Mr Mahtani was introduced to the company by Mr Lim Say Chin.

- (i) Please provide the exact start and end-dates of Mr. Mahtani Bhagwandas’ suspension order.**

Company’s response

The suspension order is effective from 14 June 2021 to 14 June 2023.

- (ii) Can the nominating committee (NC) help shareholders better understand if, prior to the appointment of Mr Mahtani, it had reviewed the competency matrix of the board and had identified any gaps in skills or competencies that needed to be addressed? If so, what are they?**

Company’s response

The Nominating Committee is of the view that the replacement of independent director, Ms Elaine Beh, who departed the Board on 31 October 2022, should likewise be replaced by a competent person who is legal trained by profession, having considered the expertise of the various board members.

- (iii) How did the then-NC evaluate the multiple investigations and disciplinary proceedings against Mr Mahtani? On what basis did the NC conclude that the director’s lapse of judgement (and the several investigations and proceedings against him) does not prevent him from carrying out his duties required of an independent director?**

In addition, the said director is a “personal friend” of the executive chairman, and

he was introduced to the company by the executive chairman.

Company's response

The then NC has stated in the Company's response to the SGX-ST query on 28 November 2022, that it has read the CV of Mr Mahtani and conducted the necessary interview on 18 November 2022, and concluded that he has the required experience to carry out his duties as an independent director and share his past experience as a law professional and contribute constructively to the Group. Mr Mahtani has experience as an independent director since year 2002 for several listed companies and has undergone various corporate matters and also has a legal profession background. He also currently sits on the board of another listed company, and is nominee director for private companies and is exposed to diverse businesses. All of these are beneficial to the Company.

Mr Mahtani had explained to the NC about his suspension from practicing as an advocate and solicitor by the Courts, which will be lifted in June 2023 and also his past private reprimand by SGX and his assistance rendered to CAD in a separate case. Mr Mahtani also confirmed that there are no restrictions or conditions imposed by the CAD on him, and that his travel document was not retained.

The NC is of the view that this lapse of judgement does not prevent him from carrying out his duties required of an independent director. The NC also notes that he is currently an independent director of another SGX listed company, GRP Ltd, to which he has been permitted to remain as an independent director, notwithstanding his suspension, after, GRP Ltd defended Mr Mahtani's position. The NC will review this position again when there are new material developments.

- (iv) How many other director candidates were shortlisted and interviewed? If there were none, why did the NC not cast its net wider? Did the board/NC use a search company?**

Company's response

There were other candidates that were considered and shortlisted. The Board did not use a search company.

- (v) How would the appointment of a personal friend of the executive chairman ensure an appropriate balance of power, increased accountability, and greater capacity of the board for independent decision making?**

Company's response

While Mr Mahtani and Mr Lim has known each other for a long time since early 2000, they had no business dealings with each other. Mr Lim had in fact considered Mr Mahtani before as independent director when the Company was listed in year 2016 but Mr Mahtani was not able due to work commitments, so a formal approach was not made. The fact of Mr Mahtani attitude towards full disclosures of his private reprimand by SGX-ST and his rendering of assistance to CAD in a separate case shows that he wishes to fully abide by all the applicable rules and regulations. The Board is of the opinion that even though Mr Mahtani and Mr Lim are friends, he will conduct himself and discharge his statutory duties professionally and exercise the required independence and act in the best interest of the Company and all its shareholders.

- (vi) Given the personal relationship with the executive chairman who had introduced him to the company, would the director's ability to exercise his independent business judgement in the best interests of the company be impaired, or be reasonably perceived to be impaired?**

Company's response

As per response in part 3(v).

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