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

ANNUAL REPORT FOR THE FINANCIAL YEAR ENEDED 30 SEPTEMBER 2023
- RESPONSES TO SGX QUERIES

The Board of Directors (the "**Board**" or the "**Directors**") of AcroMeta Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the following queries by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 17 January 2024.

Information/Background pertaining to the Queries

We refer to the Company's announcements on 15 Jan 2024, titled: Annual Reports and Related Documents

The Company's Independent Auditors, Deloitte & Touche LLP, has in their Independent Auditor's Report dated 12 Jan 2024 ("Independent Auditors' Report"), highlighted "Material Uncertainty Related to Going Concern", based on the following matters:

- The Group recorded a total comprehensive loss of S$12,473,118 for the financial year ended September 30, 2023 and as of that date, the Group is in a net current liability and net liability position of S$6,893,538 and S$1,870,761 respectively.

- In the event that the Group is unable to achieve its targeted cash inflow arising from its core business at an amount sufficient to repay its obligations when due, including any potential additional payment pertaining to the waste-to-energy plant which the Group may be required to make, the Group may be unable to discharge its liabilities in the normal course of business.

Under Note 1, it was stated that management has prepared a cash flow forecast of the Group up till January 2025 and has concluded that the Group will have sufficient financial resources to continue as a going concern for at least the next twelve months from the date of authorisation of the accompanying financial statements.

The key assumptions applied in the cash flow forecast are:

(a) The engineering, procurement and construction and maintenance core segments will continue to generate sufficient cash flows from their future operations and the order book of the engineering, procurement and construction segment is expected to grow in the next financial year with the successful conversion of current tendering opportunities into future revenues and cashflows.
(b) The Company will not be liable for the recharges sought by the counterparty as disclosed in Note 13 apart from the corporate guarantee provided of S$1,000,000 which had explicitly stated that the aggregate liabilities of the Company shall not exceed the said amount. Notwithstanding this, subject to the outcome of the resolution with the counterparty, the Company may be exposed to additional payments within the next 12 months from the date of authorisation of the financial statements arising from the renewable energy segment.

(c) The co-working laboratory space segment will incur minimal capital expenditure and it will start to generate positive cash inflow in the next financial year.
(d) Banks will continue to support the Group with banking facilities currently utilised by the Group for trading purposes only. As disclosed in Note 22, the Group has breached certain debt covenant and the banks have not taken further action as of date of the authorisation of these financial statements. As at September 30, 2023, excluding trade financing facilities granted by the affected banks, the Group has S$1,352,148 of unutilised trade financing facilities.

Queries

SGX Query 1:

Aside from the S$1.35M trade financial facilities mentioned in d), does the Company have any concrete plan/arrangements to secure additional funding and /or loan financing? Please provide the details and target timeline and milestones.

Company's Response:

The Company is completing a placement of shares amounting to an aggregate consideration of S$500,000 post the financial year-end (refer to announcements dated 16 January 2024 and 5 January 2023). The Company is also in discussion with several other potential investors and it is looking to raise another round of funding/financing through equity or quasi-equity instruments in the next 6 months.

SGX Query 2:

In relation to a), please substantiate the bases for the assumptions that (i) the engineering, procurement and construction and maintenance core segments will continue to generate sufficient cash flows from their future operations and (ii) the order book of the engineering, procurement and construction segment is expected to grow in the next financial year.

Company's Response:

The engineering, procurement and construction (EPC) business has recently won a S$19 million contract (refer to details in announcement dated 15 August 2023) and has a healthy order book exceeding S$30 million as at 30 September 2023. 97% of the order book is expected to be recognised as revenue during the next reporting period with the remaining 3% to be recognised in the 2025 financial year. Also, the maintenance business contribution is expected to remain stable, and provides the Group with recurring income streams which augments well and adds stability to the Group's existing revenue. These committed and existing receivables are expected to generate sufficient cashflow for its future operations.

SGX Query 3:

In relation to b), please clarify the range of potential additional payments within the next 12 months referred in b) and timeline which the Company plans to resolve the issue with the counterparty.

Company's Response:

As announced on 15 June 2023, Chew's Agriculture Pte Ltd has seek to claim circa S$10.7 million, which the Company's legal advisors have refuted. The Group, with opinion from its legal advisors, determined that the disruption was due to factors beyond the Group's control, does not constitute a material breach of the contract terms, and has assessed that the guarantee had explicitly stated that the aggregate liabilities of the Company shall not exceed S$1 million. Accordingly, the Company has recorded a provision amounting to S$1 million. As at the date of this announcement, the counterparty has not taken any further action. Until such time, the Company believes that the recorded S$1 million provision of liability is adequate.

SGX Query 4:

In relation to c), please substantiate the bases for the assumptions that (i) the co-working laboratory space segment will incur minimal capital expenditure and (ii) it will start to generate positive cash inflow in the next financial year.

Company's Response:

As at the date of this announcement, the committed capital expenditure for the co-working laboratory space is its investment in Elementum with HB Universal Pte Ltd ("HB"). A substantial part of the capital expenditure is expected to be paid by HB as part of the Management Agreement as announced on 6 October 2023 and the Group is only responsible for investment in equipment, which the Group is expected to get substantial support from its equipment suppliers and partners seeking spaces to showcase their equipment. Its existing operations in German Centre is already operating and cashflow positive while Elementum is expected to be cashflow positive by Q4 this year based on an estimated 40% occupancy.

SGX Query 5:

In relation to d), please clarify if the breach of debt covenant would affect the Group's ability to utilize trade financing facilities. Please clarify why the default was not remedied or re-negotiated and the Company's plan and timeline to resolve the breach of debt covenant.

Company's Response:

The Company has already reached out all its principal bankers prior to the liquidation of Neo Tiew Power Pte Ltd. To date, the trade facilities are still active, and the principal bankers have not responded adversely as they are aware that the net worth of the Group is caused by historical write-offs that does not affect the current on-going cashflow of the Group.

SGX Query 6:

What are the means and plans for the Company and the Group to obtain immediate fundings in the event of cashflow shortage or liquidity crunch in the next 12 months?

Company's Response:

The Group is of the opinion that the letter of demand is unlikely to materialise. Further, with the liquidation of Neo Tiew Power Pte Ltd, the Group has effectively prevented further losses. As such, the Group's financial position from its core operations is expected to improve rather than worsen. Nevertheless, the Group is still looking to complete a fund raising exercise within the next 6 months to recapitalise the Group and to fund its future expansion in its co-working space business, which will in turn further improve the Group's cashflow.

SGX Query 7:

Has the Company and/or Group received any letter of demand so far?

Company's Response:

Save for the letter of demand from Chew's Agriculture Pte Ltd on 15 June 2023 which the Group has refuted, it has not received any other letters of demand.

SGX Query 8:

Please provide the Board's assessment and justifications on the Group's ability to continue as a going concern, taking into account factors that have materialized to date.

Company's Response:

As explained, the liquidation of Neo Tiew Power Pte Ltd is expected to stop the losses incurred by the Group and the exposure to the counterparty is not expected to exceed S$1 million. All losses and write-offs are historical and does not affect current on-going operations of the Group. The remaining businesses are operating, cashflow positive and profitable. Further, the Group has not received any other letters of demand nor any remedial actions from its principal bankers. As such, the Board is of the view that the Group can continue to function as a going concern.

SGX Query 9:

Please provide the Sponsor's assessment and justifications on the Group's ability to continue as a going concern, taking into account factors that have materialized to date.

Sponsor's Response:

The Sponsor, in their assessment and following discussions with the Company and the Board, has carefully considered various factors. This includes the maximum liability of S$1 million in relation to the demand letter by Chew's Agriculture Pte Ltd, as advised by legal counsel engaged by the Group. Further, the Company has noted that there were no letters of demand received.

In addition, the Sponsor also acknowledges the state of the Company's engineering, procurement and construction (EPC) business, with the realised S$19 million contract as well as an order book exceeding S$30 million, which the company states 97% would be recognised in the latest financial year. This is further supported by the growing cashflow contribution from the Company's co-working business.

Furthermore, the Sponsor takes note of the current untapped trade facilities of the Company, underscoring additional financial flexibility. The ongoing fundraising of S$500,000 and the planned fundraising activities in the next six months further contribute to the Sponsor's assessment.

Based on the above, nothing has come to the Sponsor's attention that casts doubt on the Company's ability to continue as a Going Concern.

SGX Query 10:

Please provide the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.

Company's Response:

The Board confirmed that all available information in addressing the issue of a going concern have been disclosed in the Company's announcement dated 15 January 2024 and in conjunction with the 2023 Annual Report, and the information are sufficient to enable trading of the Company's shares to continue in an orderly manner.

BY ORDER OF THE BOARD

Lim Say Chin
Executive Director and Chief Executive Officer
18 January 2024

This announcement has been reviewed by the Company's Sponsor, Evolve Capital Advisory Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange"), and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Chua Hiang Hwee Jerry, 138 Robinson Road, #13-02 Oxley Tower, Singapore 068906, jerrychua@evolvecapitalasia.com