

**RESPONSE TO QUESTIONS RECEIVED RELATING TO ANNUAL GENERAL MEETING
("AGM") TO BE HELD ON 30 APRIL 2024**

The Board of Directors ("**Board**") of AsiaPhos Limited (the "**Company**") refers to its announcements dated 15 April 2024 in connection with, *inter alia*, the Notice of AGM and the Company's annual report for the financial year ended 31 December 2023 ("**AR2023**").

The Company has received questions from a shareholder and from the Securities Investors Association (Singapore) ("**SIAS**") in relation to the above. The Company's responses to the said questions are set out in the Appendix.

It is important to note that these questions and responses should be read in conjunction with the Notice of AGM and the Company's AR2023. All capitalised terms used but not defined in this announcement shall have the same meanings given to them in the Company's AR2023, unless otherwise expressly stated or the context otherwise requires.

BY ORDER OF THE BOARD

Dr Ong Hian Eng
Executive Director
AsiaPhos Limited

25 April 2024

*This announcement has been reviewed by the Company's Sponsor, Asian Corporate Advisors Pte. Ltd. (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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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APPENDIX

1. QUESTIONS RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”)

Q1. On 9 October 2023, the company announced that the group had entered into a non-binding term sheet regarding a potential acquisition of a renewable energy business. The target partially owns a Taiwan-based solar assets owner and operator specialising in renewable energy development and solar asset management.

The term sheet was extended on several occasions and the long-stop date has been left open, subject to further agreement by both parties on a new long-stop date.

(i)

What due diligence has been completed and what remains outstanding?

COMPANY’S RESPONSE:

As announced on, *inter alia*, 9 October 2023, 20 November 2023, 29 December 2023, 31 January 2024, and 28 February 2024, the Group had entered into a non-binding term sheet (“**Term Sheet**”) with Global Resources England., Ltd. (the “**Vendor**”, together with the Company, the “**Parties**”) to acquire, either directly or through AP New Energy Pte Ltd (“**APNE**”), a wholly-owned subsidiary of the Company, the entire issued and paid-up share capital of Global Resources SP (Taiwan) Co. Ltd (the “**Target Company**”) (the “**Proposed Acquisition**”).

As announced the Company is bound by confidentiality agreement with the Vendor, and as the Parties are still negotiating the Transaction Documents (defined below) and remain keen to proceed with the Proposed Acquisition, it may be inappropriate as at this current stage to state what has been completed and what remains outstanding.

Moreover, the Company has stated that it will make further announcements as and when appropriate in compliance with the requirements of the Catalist Rules (including, *inter alia*, information required under Chapter 10 of the Catalist Rules) if and when the Transaction Documents in respect of the Proposed Acquisition have been entered into and/or when there are further material developments in respect of the Proposed Acquisition.

(ii)

What is the status of the target, Helio Energy Two Corporation, and what unique opportunities or assets does it bring to the table?

COMPANY’S RESPONSE:

Please see above, as further announcements will be made as and when appropriate.

(iii) Will the proposed acquisition require approval from shareholders?

COMPANY’S RESPONSE:

Please see above, further announcements will be made as and when appropriate. The Company has stated that the Term Sheet is non-binding and is subject to the execution of a definitive sale and purchase agreement governing the Proposed Acquisition and any other related document (the “**Transaction Documents**”) and all terms and conditions therein to be in compliance with such applicable rules, regulations, or directions (as may

be applicable) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Accordingly, where applicable it may involve approval from shareholders.

(iv)

What challenges have the parties faced in executing a definitive sale and purchase agreement?

COMPANY’S RESPONSE:

Please see above

(v)

Who are the shareholders of the vendors and how was the company introduced to the target?

COMPANY’S RESPONSE:

As stated in the announcement dated 9 October 2023, the Vendor is 100% owned by Solar Plus (HK) Limited.

The Proposed Acquisition is an initiative driven by Management and the Vendor was introduced by a mutual business contact of the Management.

(vi)

Could the board provide insight into any potential risks associated with the acquisition?

COMPANY’S RESPONSE:

Please see above

The Company has stated that it will make further announcements as and when appropriate in compliance with the requirements of the Catalist Rules (including, *inter alia*, information required under Chapter 10 of the Catalist Rules), and accordingly the potential risks associated with the Proposed Acquisition, where applicable and relevant.

Q2. On 28 March 2024, the company announced a proposed renounceable non-underwritten rights issue of up to 515,763,342 new ordinary shares at an issue price of \$0.0054 per rights share. The announcement can be read here:

https://links.sgx.com/FileOpen/Asiaphos%20-%20Rights%20Issue_28%20Mar%2024_Final.ashx?App=Announcement&FileID=793774

Under the minimum scenario, the “OHE and OHE Connected Parties” will increase their stake from 27% to 31.8% while the “AV and AV Connected Parties” will see their shareholding increase from 27.4% to 32.4%.

APPENDIX C

Interests of Directors and Substantial Shareholders under the Minimum Scenario

	Number of Shares			Total Percentage Interest (%) ⁽¹⁾
	Direct	Deemed	Total	
OHE and OHE Connected Parties ⁽²⁾	417,203,867	-	417,203,867	31.8
AV and AV Connected Parties ⁽³⁾	424,530,316	-	424,530,316	32.4
Other Directors				
Lee Fook Wah Francis	200,000	-	200,000	0.0
Goh Yeow Tin	-	-	-	-

(Source: company announcement; emphasis added)

The company has disclosed that it has the option to scale down the subscriptions for rights shares and/or excess rights application of any shareholder to avoid placing the relevant shareholder (and the concerted parties) in the position of incurring a mandatory general offer under the Singapore Code on Take-overs and Mergers.

(i)

Can the board help shareholders better understand if the connected parties crossing the 30% threshold would trigger a mandatory general offer and thus the minimum scenario (as illustrated above) will not happen as their subscription will be scaled down to avoid triggering the mandatory general offers from both connected parties? Alternatively, are the parties considering seeking a whitewash waiver from the SIC to address this issue?

COMPANY'S RESPONSE:

Please refer to the announcement dated 24 April 2024, wherein the Company has stated the scaling down provisions.

(ii)

Also, have the OHE and AV connected parties expressed their intentions to apply for excess rights shares?

COMPANY'S RESPONSE:

Please refer to the announcements dated 28 March 2024 and 24 April 2024.

Separately, the rights issue is at a significant discount of 26% to the volume weighted average price of \$0.0073; 32.5% to the last closing price of \$0.008 and 24.3% to the theoretical ex-rights price (“TERP”) of S\$0.0071.

(iii)

Do the independent directors consider that the significant discount of the proposed rights issue might be detrimental to the interest of minority shareholders? This concern arises particularly because it may be perceived that the controlling shareholders are increasing their stakes at a low price through a “loan-then-offset” arrangement, where they also get to determine the “conversion” price, i.e. the rights issue price.

COMPANY’S RESPONSE:

The Independent Directors have in their deliberation, determination and approval for the terms for the Rights Issue considered the following, and the Company refers SIAS to *inter-alia* the announcement dated 28 Mar 2024, where it was stated explicitly:

- (a) The Issue Price and the discount have been determined taking into account, *inter alia*, the prevailing market conditions (being general economic, interest rate, market conditions, sentiments and uncertainties), the issue price, market price and also the discounts from the relevant market prices and theoretical ex-rights prices for such past rights issue transactions on the Catalist for the past three (3) years, and the rationale for the Rights Issue as stated in paragraph 6 of the announcement dated 28 Mar 2024.
- (b) Minority shareholders have the right but not the obligation to subscribe for the Rights Shares or sell their entitlements to the Rights Shares or apply for excess Rights Shares. The rights “accorded” are similar to those for the controlling shareholders. The offsetting arrangements are for loans which have been extended years ago prior to any contemplation of a rights issue and as financial support for the Company (as announced numerous times over the course of years).
- (c) The Company is undertaking the Rights Issue with the objectives of *inter-alia*: minimizing or “conserving” cash outflows needed for the repayment of the outstanding OHE Loans and AV Loans.
- (d) As disclosed in the Company’s result announcement for, *inter alia*, the financial year ended 31 December 2023 (“FY2023”) (released on 29 February 2024), Dr Ong Hian Eng (“OHE”, the Executive Director and Chief Executive Officer as well as controlling Shareholder of the Company) and Astute Ventures Pte. Ltd. (“AV”, the controlling Shareholder of the Company) have extended loans to the Company. The principal amount of the loans from OHE and AV amounted to S\$1,420,000 and S\$1,027,870 respectively as at 31 December 2023.
- (e) The rationale for the offsetting arrangement is that if there is no offset, the amount raised will still need to pay the loans. By “capitalising” the loan, the company will also be able conserve cash from the sales proceeds. Furthermore, if the rights size is bigger, it will be much harder to raise cash and it may be probably be at a higher discount.

Accordingly, the Independent Directors are not aware of why the Rights Issue is deemed to: (a) be at a significant discount of 26% to the volume weighted average price of \$0.0073; (b) be perceived that the controlling shareholders are increasing their stakes at a low price through a “loan-then-offset” arrangement, when the AV Loans and OHE loans were granted way before the Rights Issue announcement and when, *inter alia*, as

announced the Rights Issue is to encourage participation of all Shareholders in the Company's Share capital and would also provide current Shareholders who are confident of the prospects of the Company with the opportunity to further participate in the equity of the Company and maintain their equity stake in the Company at a discounted price; and (c) where the controlling shareholders also get to determine the "conversion" price, i.e. the Rights Issue price, when there were deliberations taking into account discounts from the relevant market prices and theoretical ex-rights prices for such past rights issue transactions on the Catalist for the past three (3) years, and the Independent Directors have deliberated, approved the terms of the Rights Issue and the offsetting arrangements.

Q3. Dr Ong Hian Eng has indicated that he will not stand for re-election at the annual general meeting and will retire at the upcoming AGM. In the disclosure regarding the re-election of Mr Ong Eng Keong, it was revealed that Mr Ong Eng Keong will assume the role of CEO.

(i) What was the criteria used by the board/nominating committee to identify and appoint the new CEO?

COMPANY'S RESPONSE:

In early 2022, Mr Ong Eng Keong was brought in to assist the Company on matters relating to the arbitration with China as well as seeking new opportunities for the company to pursue once these matters were resolved. In 2023, he volunteered and was appointed as director of AP New Energy Pte Ltd to assist in the company's business diversification efforts.

When Dr Ong Hian Eng signalled his intention to retire in late 2023, the board/nominating committee decided that it would be preferable that the new CEO is both familiar with the company's existing issues as well as to have the willingness and resourcefulness to bring continuity to the company's growth prospects.

The NC having considered the above, *inter alia* his investment banking and various entrepreneurial experiences, as well as fact that as Mr Ong Eng Keong is the son of Dr Ong Hian Eng (a controlling shareholder of the Company), he has an interest in the endeavours of the Company, have considered him an appropriate candidate as the CEO.

Mr Ong Eng Keong volunteered to work with existing management and stakeholders on the best way to bring the company forward.

In addition, as the controlling shareholders may still be required to provide financial support for the company in the short term, they also requested someone they could trust to run and manage the company.

Separately, the company had stated the following in the corporate governance report (page 28):

Upon retirement of Mr Francis Lee and Dr Ong, and redesignation of Mr Goh as non-independent director, the company recognises that it will ***need to quickly identify and appoint*** suitable candidates for the independent director roles, otherwise the Board composition will not be in compliance with Catalist Rules (Rule 406(3)(c) and provisions of the Code of Corporate Governance (e.g. Provision 2.2 of the CG, which states that "Independent directors make up a majority of the Board⁷ where the Chairman is not independent" and Provision 3.3). The Board renewal process is in-progress, with the aim to appoint new independent directors ***within 2-3 months following the AGM***, in-line with SGX and CG guidance... emphasis added

SGX has provided companies with a transition period to progressively refresh the board when it announced the changes in January 2023.

The nominating committee comprises Mr Goh Yeow Tin (chairman), Mr Francis Lee Fook Wah and Dr. Ong Hian Eng.

(ii) What progress has been made in the search for new director(s) since January 2023?

COMPANY'S RESPONSE:

In the past few months, the Company and the nominating committee ("NC") which comprises Mr Goh Yeow Tin (chairman), Mr Francis Lee Fook Wah and Dr. Ong Hian Eng, has compiled a list of candidates for the role of Independent Directors. Arrangements are being made and the process for the NC to meet and interview all the candidates has been on-going.

(iii) Can the nominating committee provide insights into the difficulties in identifying new director candidates, especially considering that the board will not be in compliance with the Catalyst Rules after the cessation and resignation of the directors?

COMPANY'S RESPONSE:

The Company has had some difficulties shortlisting new director candidates. Though some shortlisted candidates which the NC have preliminary spoken with have shown willingness to be interviewed and appointed, others were deterred by the company's dispute with China as well as going concern issues. Despite that, the NC have been casting their net wider and have managed to compile a list of potential candidates. Our directors' fees were also below market rate for a company that requires quarterly reporting.

(iv) Will the "need to quickly identify and appoint" suitable candidates potentially compromise the process?

COMPANY'S RESPONSE:

No. The company aim to complete the nomination and appointment process within the 2-3 months following the AGM.

2. QUESTIONS RECEIVED FROM OTHER SHAREHOLDERS NOT COVERED BY THE RESPONSE ABOVE

QUESTION: Relating to Resolution 4, please explain and justify the 67% increase of directors fees to \$180,000 from \$108,000 in FY2022 for FY2023.

COMPANY'S RESPONSE:

AGM Resolution 4 refers to the following: "To approve the payment of Directors' fees of "up to S\$180,000" for the financial year ending 31 December 2024, payable quarterly in arrears. (2023: S\$108,000)"

On a "per individual director" basis, the directors' fees being proposed remain same as prior year, i.e. \$36k per non-executive director. Refer to the annual report for FY2023 ("AR2023", Corporate Governance section), for details. As part of the board renewal process currently underway, the company is currently identifying suitable independent

director candidates, and may need to appoint between 2 to 3 new independent directors, in order to remain in compliance with the applicable Catalist Rules/ provisions of the Code of Corporate Governance.

Extract From the Corporate Governance Report in AR2023: "*As at the date of this annual report, Mr Goh Yeow Tin and Mr Francis Lee have each served on the Board beyond nine years since the date of their first appointment. Pursuant to the Announcement, Mr Goh Yeow Tin and Mr Francis Lee may remain as Independent Directors until the conclusion of the forthcoming AGM of the Company to be held on 23 April 2024. Mr Goh will be re-designated from Independent and Non-Executive Chairman to Non-Independent and Non-Executive Chairman while Mr Francis Lee will retire as Independent and Non-Executive Director after the conclusion of the forthcoming AGM.*

Upon retirement of Mr Francis Lee & Dr Ong, and redesignation of Mr Goh as non-independent director, the Company recognises that it will need to quickly identify and appoint suitable candidates for the independent director roles, otherwise the Board composition will not be in compliance with Catalist Rules (Rule 406(3)(c)) and provisions of the Code of Corporate Governance (e.g. Provision 2.2 of the CG, which states that "Independent directors make up a majority of the Board where the Chairman is not independent" and Provision 3.3). The Board renewal process is in-progress, with the aim to appoint new independent directors within 2-3 months following the AGM, in-line with the Catalist Rules/ SGX and CG guidance (i.e. within two months, but in any case not later than three months after such retirements (Dr Ong and Francis) and redesignation (Mr Goh) become effective). In order to comply with the Code of Corporate Governance guidance, upon the identification and appointment of the new independent directors, the Company will revisit the composition of the Board and its Board Committees with the aim of appointing a new independent director as Chairman of the Board and its Board Committees."