

ASIA-PACIFIC STRATEGIC INVESTMENTS LIMITED

Company Registration No. 200609901H

(Incorporated in Singapore)

**RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON
THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024**

The Board of Directors (the “**Board**”) of Asia-Pacific Strategic Investments Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s annual report for the financial year ended 30 June 2024 (the “**Annual Report**”) (such queries are available for download at SIAS’ website at www.sias.org.sg), and the Company’s responses are set out as follows:

QUESTION 1

On 17 September 2024, the company announced that it has entered into a joint venture and shareholders’ agreement with EMG Unipessoal, LDA for a proposed mixed-use development on a plot of state land located at Oecusse Ambeno, Timor-Leste.

This announcement follows a series of proposed and subsequently terminated sale and purchase agreements related to the acquisitions of:

- **Mobii Genius Co., Ltd. for US\$150 million, first announced on 8 April 2024 and terminated on 2 October 2024**
- **Zweispac Pte. Ltd., first announced on 7 March 2024 and terminated on 6 April 2024**
- **Catapult Ventures Pte. Ltd. (MoneySmart), first announced on 18 March 2022 and terminated on 30 June 2023**
- **An unnamed company with hospitality business, first announced on 22 April 2021 and terminated on 1 November 2021**

A proposed subscription by IFH Technology Limited of 3,143,773,000 new shares of the company at an issue price of \$0.002 per share was also terminated on 9 September 2024.

- (i) **Can the sponsor provide shareholders with clarity on its role in assisting the company with these proposed acquisitions? What specific advice is being given to ensure success and long-term value creation?**

The Sponsor’s role is primarily to provide advice on whether the information disclosed in the announcements and circulars in relation to the proposed acquisitions are in compliance with Catalist Rules, and where the Sponsor is aware of material developments in relation to the proposed acquisitions, to advise the Company to inform shareholders in a timely manner. The long-term value creation for the company and its shareholders are the responsibility of the management and board of directors of the Company. As each of the proposed acquisitions is subject to, *inter alia*, business, financial and legal due diligence, relevant regulatory approvals, as well changing market conditions, there is no assurance that announced acquisitions will subsequently be completed.

- (ii) **How much has the company spent on professional and legal fees related to these proposed but subsequently terminated corporate actions over the past three years?**

For the past three years, the Company spent approximately S\$216,000, after utilising the deposits paid by the counterparties of the sale and purchase agreements (the “**SPAs**”), on professional and legal fees on these proposed but subsequently terminated corporate actions. There are provisions in some of the SPAs or agreements that the counterparties will place a deposit to the Company and the deposit will be utilised to partially fund the payment of the professional fees in the event of the termination of the SPAs.

- (iii) **Has the board implemented any structured processes or criteria for evaluating potential deals, to ensure that management focuses only on transactions with high strategic alignment and a realistic probability of completion? What steps are being taken to improve deal-making discipline?**

Over the years, various deals have been presented to Management for consideration. Management carefully reviews and evaluates deals based on their potential for revenue growth, future profitability, and overall business expansion for the Group, ensuring that they also have comparatively higher likelihood of completion. Only those deals that meet these criteria are submitted to the Board for further review and consideration.

It's important to note that not all deals approved by the Board will necessarily proceed to the binding agreement stage. Management will consider the Board's decisions and advice during discussions with counterparties. No binding agreements will be executed unless a consensus is reached among the parties involved.

The Board believes that these steps reflect a disciplined approach to deal-making. Regarding the four deals mentioned, binding agreements have only been entered into for the proposed acquisitions of MoneySmart and Mobii Genius Co., Ltd. The other two deals were terminated after the signing of non-binding term sheets or heads of agreement for various reasons.

- (iv) **Can the board elaborate on the level of due diligence conducted for these deals? What oversight is the sponsor providing to ensure that any future proposals are commercially viable and have a reasonable chance of completion?**

Preliminary legal and financial due diligence was performed on the proposed acquisitions of unnamed company with hospitality business, Zweispace Pte. Ltd. and Mobii Genius Co., Ltd., whereas comprehensive due diligence has been carried out on the proposed acquisition of MoneySmart.

The Board wishes to highlight that it is in the best interest of the Shareholders not to incur substantial professional fees to conduct a comprehensive due diligence in the target companies if there is no binding agreements entered into by the parties.

Please refer to Sponsor's response to question (i) above.

- (v) **Is there a concern that the company may have eroded investor confidence due to multiple terminated deals? How does the board plan to address this?**

The Covid-19 pandemic and the prolonged real estate crisis in China have negatively impacted the Group's operations in China. In response, the Board has been actively exploring new investments and strategic acquisitions to enhance the quality of our business operations and improve financial performance.

The Board remains confident that investor trust in the Company will not be diminished due to the multiple terminated deals, as no investment opportunity guarantees 100% success.

- (vi) **Can the board clearly articulate the investment merits of the company for shareholders?**

As mentioned in point 1(v) above, the Covid-19 pandemic and the prolonged real estate crisis in China have negatively impacted the Group's business in China. In response, the Board has been actively exploring new investments and strategic acquisitions to enhance the quality of our business operations and improve financial performance and the Group has implemented cost-cutting measures and is generating passive income through rental income from the subleasing of fishponds and land as part of Project Phoenix, all while closely monitoring the property market in China.

Additionally, the Group is expanding its operations into Timor-Leste, as announced in September 2024. The Board believes that following through with these initiatives can help enhance the Group's financial performance.

- (vii) **Should the board consider suspending trading of the company's shares until a binding agreement is reached to protect shareholders and avoid further speculation?**

The Board is of the view that no suspension of trading of the Company's shares is required as the Company has released all material price sensitive information to allow shareholders to make an informed decision. Suspending trading of the Company's shares would be detrimental to the interests of shareholders depriving them of liquidity in their investment.

QUESTION 2

For the financial year ended 30 June 2024, the group reported no revenue due to the disposal of its hospitality segment in the previous financial year. In the chairman statement, it was disclosed that the group received a compensation of RMB5.1 million from the Nanxun Government in financial year ended 30 June 2024 for utilising the designated land for agricultural activities.

- (i) **Could the audit committee or management explain how the RMB5.1 million compensation from the Nanxun Government was determined? What will be the compensation amount going forward?**

The compensation of RMB5.1 million is in respect of:

- a. Compensation on designated land to be used for agriculture activities for period 2022 and 2023 amounting to RMB3 million; and
- b. Compensation on damages to crops planted on designated land (青苗补偿) amounting to RMB2.1 million.

The Company will receive approximately RMB1.6 million compensation per annum in relation to the usage of the designated land in Project Phoenix for agriculture activities going forward until the end of 2028.

- (ii) **Has management updated its detailed market feasibility study for Project Phoenix? What are the expected returns for Project Phoenix (凤凰洲项目) which is intended to redevelop the area as a modern aquaculture industry?**

Management is of the view that it is currently not the appropriate time to update the market feasibility study. We anticipate that the real estate and mortgage policies in China will continue to evolve in the near future until homebuyer confidence in the real estate sector improves. Additionally, the reduction of housing inventories and delayed housing projects to levels that Chinese policymakers find acceptable will be crucial for this recovery.

- (iii) **Given the recent economic stimulus measures by the Chinese government, what is the economic sentiment on the ground in Digang Town (荻港村)? How does management expect these measures to impact Project Phoenix?**

Management believes that the recent economic stimulus measures implemented by the Chinese government are aimed at improving sentiment in the real estate sector. However, economic sentiment on the ground in Digang Town has not changed significantly. Currently, these measures are unlikely to impact Project Phoenix, as Huzhou City is a fourth-tier city, and the primary focus of these initiatives is on first- and second-tier cities in China.

- (iv) **What are the key considerations management is evaluating regarding the timing to commence Project Phoenix?**

The key considerations management is evaluating regarding the timing to commence Project Phoenix include the number of unsold housing inventories, the status of delayed housing projects, homebuyer confidence levels, mortgage policies, and other relevant factors both in China and in Huzhou City.

- (v) **Given that the Nanxun Government's support could continue until the end of 2028, does it mean that there is little incentive for the group to commence development before that?**

The Group's primary business is real estate development. Support from the Nanxun Government for agricultural activities will not influence the Group's decision to commence development projects.

- (vi) **With the group holding just \$19,000 in cash at the company level and \$1.2 million at the group level, what is the current cash burn rate? How does management plan to ensure the company remains a going concern and is able to meet its financial obligations?**

We would like to assure shareholders that the Company's Executive Chairman and Chief Executive Officer undertakes to provide financial support in order to enable the Group to continue its operations as a going concern and to meet its liabilities as and when they fall due. The Company is currently exploring various fundraising options to strengthen the financial position of the Group.

QUESTION 3

Mr Chew Soo Lin will step down as a director at the conclusion of the annual general meeting scheduled to be held on 30 October 2024. Mr Chew Soo Lin was first appointed to the board on 5 June 2007.

Dr Lam Lee G resigned on 2 October 2024, having served on the board since 5 June 2007.

- (i) **Can the sponsor clarify what specific questions were raised during the exit interview with Dr Lam Lee G? Was this interview conducted face-to-face, and were any material concerns shared during this process?**

No material concerns were noted by the Sponsor. For details, please refer to the cessation announcement released on 2 October 2024 regarding Dr. Lam's resignation.

- (ii) **How did the sponsor satisfy itself that all material reasons have been announced in the announcement of cessation? Did the cessation announcement contain any additional clarifications or information based on the matters raised in SGX RegCo's query dated 2 October 2024?**

Details (including reason for Dr Lam's cessation) can be found in his cessation announcement dated 2 October 2024.

- (iii) **Was the sponsor aware of the arrest warrant reportedly issued in October 2023? Did the sponsor confirm with the former director whether he had knowledge of this matter before the board's inquiry that was triggered by SGX RegCo's query?**

The Sponsor was made aware of the News Article (as defined in the Company's announcement dated 2 October 2024) via queries raised by SGX Regco to the Company on 2 October 2024.

Upon Sponsor's queries, the Company represented that Dr Lam was aware of this matter before the Board's inquiry that was triggered by SGX RegCo's queries dated 2 October 2024. As announced in the Company's response to SGX RegCo's queries on 2 October 2024, Dr Lam informed the Board that the allegation in the News Article was unfounded and that he had no involvement at all in the alleged matters at any point in time. There has been no trial and no charge against him.

With the cessation of Mr Chew Soo Lin, the board will be left with one independent director. The company is non-compliant with several Catalist Rules and provisions of the Singapore Code of Corporate Governance 2018, including:

- **Rule 704(7) of the Catalist Rules, which requires a minimum of 3 members in the audit committee (AC),**

- **Rule 406(3)(c) of the Catalist Rules, which mandates at least 2 independent non-executive directors,**
- **Provisions 4.2, 6.2, and 10.2 of the Singapore Code of Corporate Governance 2018 regarding the composition of the AC, nominating committee (NC), and remuneration committee.**

- (iv) **Given that SGX RegCo announced these changes in January 2023, providing the board with more than 20 months of transition, can the NC elaborate on the steps it has taken towards progressive board renewal? What challenges, if any, have been encountered in executing this succession plan?**

The NC and the Board is aware of the aforementioned changes announced by SGX Regco and have discussed the progressive renewal and replacement of independent directors. A significant challenge they face is that the Company has been engaged in various merger and acquisition activities over the past three years. If completed, these exercises would lead to a reverse takeover of the Company.

As the counterparties to these mergers and acquisitions have indicated their intention to change Board members post-completion, it becomes difficult for the Board to shortlist candidates who are willing to join, knowing they may be replaced in a short period of time.

- (v) **What specific guidance has the sponsor provided to the board in addressing these governance and compliance issues?**

The Sponsor has consistently advised the Board of the need to ensure compliance with the relevant Catalist Rules and Singapore Code of Corporate Governance 2018 (“**CG Code**”) in relation to the board renewal process. The Company has acknowledged this advice and has been actively in the process of identifying suitable candidates for replacements.

- (vi) **In light of the current situation, does the NC believe it has fully discharged its duties? Specifically, how does the NC assess its performance given that the cessations will leave the company in breach of multiple Catalist Rules and governance provisions?**

As mentioned in 3(iv) above, the NC had deliberated on the progressive renewal and replacement of independent directors and acknowledges the challenges the Company faces.

The NC has identified suitable replacements for independent directors and is in the process of formalising their appointment. The NC believes that its corporate governance practices continue to uphold the intent of the principles of the CG Code during this period.

The Company endeavours to fill the vacancies of the independent directors to be audit committee members within two months, but in any case, not later than three months from the conclusion of the AGM in order to comply with applicable rules and regulations.

BY ORDER OF THE BOARD

Dato’ Dr Choo Yeow Ming
 Chairman and Chief Executive Officer
 25 October 2024

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance 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 document, including the correctness of any of the statements or opinions made or reports contained in this document.

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