

**CHASWOOD RESOURCES HOLDINGS LTD.**  
(Incorporated in the Republic of Singapore)  
(Co. Reg. No. 200401894D)

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**RESPONSE TO QUESTIONS RELATING TO CHASWOOD RESOURCES HOLDINGS LIMITED'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021("FY2021") FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)("SIAS")**

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Chaswood Resources Holdings Ltd (the "Company" and together with its subsidiaries, the "Group") would like to provide its response to the questions raised by Securities Investors Association (Singapore) ("SIAS") on 19 April 2022 in relation to the Company's Annual Report for the financial year ended 31 December 2021 ("Annual Report") in the appendix prior to the upcoming Annual General Meeting ("AGM") to be held by electronic means on 29 April 2022 at 11a.m.

BY ORDER OF THE BOARD

ANDREW ROACH REDDY  
Managing Director  
25 April 2022

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*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.*

*The contact person for the Sponsor is Mr. Liao H.K., at 160 Robinson Road, #21-05 SBF Center, Singapore 068914, Telephone number: 6221 0271*

## Appendix

**Q1.** Trading of the company's shares have been suspended since 18 June 2018.

For 2021, the group's main focus has been to complete the ongoing restructuring exercise to restore the financial position of the group with to submit a resumption proposal to SGX-ST for the trading of the company's shares.

As at 31 December 2021, the group and company have net liabilities of RM(62.355) million (2020: RM(61.466) million) and RM(61.936) million (2020: RM(61.094) million) respectively. Accordingly, the independent auditor has highlighted the material uncertainty relating to the company's and the group's ability to continue as a going concern.

Keys steps to the group's restructuring exercise include:

- Proposed issuance of redeemable convertible note
- Proposed scheme of arrangement with scheme creditors

In December 2021, the company also entered into a Sale and Purchase Agreement to acquire the entire issued and paid-up share capital of HK Aerospace Beidou New Energy Technology Co., Ltd. ("Target" and together with its subsidiaries, the "Target Group") which will result in a reverse takeover of the company ("Proposed Acquisition").

**(i) Can the board help shareholders understand the status of the Amended scheme of arrangement (SOA)? With the Amended SOA lapsing on 30 June 2021, what steps will be taken by the company in advancing a new/amended SOA?**

The amended Scheme of Arrangement (SOA) has lapsed on 30 June 2021. The Company will seek the necessary extension of time from the Scheme Creditors for the completion of the Scheme after obtaining SGX-ST's approval for the waiver and extension of time for the submission of a trading resumption proposal pursuant to Rule 1304(1) of the Catalist Rules. The application for the extension of time was submitted to SGX-ST and announced accordingly on 11 June 2021 and the Company will be submitting another application very soon once it completes the appointment of the requisite Professionals and irons out the trade resumption timelines. Given that the extension to be granted by SGX-ST is critical to the Scheme, the Company is of the opinion that the decision by SGX-ST will be a consideration for the Scheme Creditors' decision in agreeing to the extension of time for the completion of the Scheme. Thus, the Company is not seeking for an extension of time from the Scheme Creditors at this point in time.

The Company has informed the Scheme Creditors of the status of amended SOA via its Scheme Managers and further updates will be provided when available.

**(ii) Who are the key scheme creditors and how confident is the company of their support given the lapse of the amended SOA?**

The scheme creditors are mainly made up of non-trade creditors with whom the Company is indebted to as at 31 October 2019. Among the key scheme creditors are financial institutions and creditors indebted by way of corporate guarantees.

In the interest of the scheme creditors, the extension of time for the amended SOA will be crucial because the Company requires time to complete its restructuring exercise and resumption of trading in SGX-ST. Based on the SOA, upon Company's trade resumption, the scheme creditors will be issued shares at a debt-equity ratio of 18%. In the event that no extension of time is obtained, the amended SOA will be deemed terminated and shall cease to be binding with the scheme creditors. The scheme creditor shall be entitled to exercise any and all of its rights, powers and remedies against the Company in other form of recovery. This will in turn jeopardize the restructuring exercise and undermine any possibility of settlement with the scheme creditors.

Given that there is no change on the salient terms in the amended SOA and coupled with the current Reverse take-over ("RTO") exercise that the Company is undertaking, which upon completion, should put the Company back on track for a trading resumption in SGX-ST, the Company is confident that the scheme creditors would support the further extension of time for the amended SOA.

**(iii) What is the process to seek the necessary extension of time from the scheme creditors?**

Given that the extension of time for submission of a trading resumption proposal to be granted by SGX-ST is critical to the Scheme, the Company will only seek the necessary extension of time from the Scheme Creditors after obtaining SGX-ST's approval on the waiver and extension of time for the submission of a trading resumption proposal.

Upon the extension of time for submission of a trading resumption proposal is granted by SGX-ST, the Company will re-engage its Scheme Manager's services to seek the necessary approval from the Scheme Creditors to complete the Scheme. An extension of time for the amended SOA will be requested and will need to be approved by a majority in numbers representing at least 75% of the total value of the Scheme Creditors present by voting in person or by proxy at the creditors' meeting.

In the event that majority votes are obtained, the Company's solicitor will in due course file an application to the Court to obtain the Court's approval of the Scheme extension. Upon sanctioning of the Scheme by the Court, the Scheme shall be binding between the Company and the Scheme Creditors.

**(iv) What are the outstanding milestones for SGX-ST to consider the waiver and extension of time for the submission of a trading resumption proposal?**

Upon formal appointment of the Full Sponsor and Financial Adviser to the Company in connection with the Proposed Acquisition, the Company will work with the appointed professionals such as the Legal advisors to CHRL and the asset on Singapore and Chinese Law, Internal and External Auditors and a third party Independent Valuer in the next milestone to expeditiously apply with the SGX-ST to seek a further extension of time to submit a trading resumption proposal pursuant to Rule 1304(1) of the Catalyst Rules. Such further extension of time will allow the Company and its appointed professionals the necessary time and resources to conduct the necessary due diligence on the Target Group, and to work to ensure satisfactory conclusion and fulfilment of the key milestones of such due diligence. The aforementioned appointment of the Full Sponsor and Financial Adviser has been confirmed and announced on 22 April 2022.

**Q2.** On 1 March 2022, the company entered into a fifth supplement agreement to amend the terms of the subscription agreement with Advance Opportunities Fund (“AOF”) and Advance Opportunities Fund I (“AOF I”).

The subscription agreement was first entered into on 30 November 2019. The company proposes to issue to the subscribers 1.0% equity-linked redeemable convertible notes (RCN) due 2022 with an aggregate principal amount of up to \$50.0 million. The issuance of the RCN is subject to fulfilment of certain conditions precedent which includes, inter-alia, the share trading resumption. This comes after another term sheet for an earlier proposed issuance of 1% equity-linked RCN with Advance Opportunities Fund group of funds and Advance Capital Partners Asset Management Private Limited that lapsed on 26 July 2018.

**(i) What is the level of due diligence carried out by the board on the subscribers?**

The subscribers for the proposed issuance of RCN by the Company pursuant to the Subscription Agreement dated 30 November 2019 (as amended, modified and/or supplemented) (“RCN SA”) are AOF and AOF I.

AOF is a proprietary fund incorporated in the Cayman Islands wholly-owned by Mr. Tan Choon Wee. Given its ownership nature, AOF does not require a fund manager to manage its investments. AOF manages its own funds and investment portfolios and invests in a variety of financial instruments, including but not limited in quoted securities through private unlisted debt-to-equities convertible instruments throughout various jurisdictions in Asia, including Malaysia, Singapore, Thailand and Hong Kong.

AOF I is a restricted scheme registered with the Monetary Authority of Singapore whereby its investment funds are currently managed by ZICO Asset Management Pte. Ltd., a holder of a capital markets services license to conduct fund management activities regulated under the Securities and Futures Act 2001 of Singapore.

The Subscribers has entered into subscription agreements in regards to subscriptions of convertible instruments which are of the similar nature as the RCN SA entered into with the Company with other listed companies in Asia as set out below.

Set out below is a list of deals which the Subscribers have entered into in the years 2020-2022. To avoid doubt, the list is non-exhaustive:

#### **Malaysia**

- (a) Vertice Berhad for the proposed issuance of convertible preference shares of up to MYR60 million in 2020;
- (b) SM Track Berhad for the issuance of RCN of up to MYR120 million in 2020;
- (c) Priceworth International Berhad for the issuance of RCN of up to MYR100 million in 2021; and
- (d) XL Holdings Berhad for the issuance of RCN of up to MYR200 million in 2021.

#### **Thailand**

- (a) Seven Utilities and Power Public Company Limited for the issuance of convertible

debentures (“CD”) of up to THB650,000,000 in 2020;

- (b) All Inspire Development Public Company Limited for the issuance of CD of up to THB1,000,000,000 in 2021;
- (c) Smart Digital Public Company Limited for the issuance of CD of up to THB1,000,000,000 in 2021;
- (d) PP Prime Public Company Limited for the issuance of CD of up to THB300,000,000 in 2021;
- (e) International Research Corporation Public Co., Ltd. for the issuance of CD of up to THB300,000,000 in 2022; and
- (f) Grande Asset Hotels and Property Public Company Limited for the issuance of CD of up THB1,000,000,000 in 2022.

Take note that both AOF & AOF I have entered into circa 13 subscription agreements with Thai listed issuers for the subscription of CD from the years 2020 – 2022. Given the nature of AOF & AOF I, the board is of the view that no further due diligence is required to be carried out.

The conversion price is determined as follows:

*The price at which each Conversion Share will be issued upon conversion shall be 80% of the average volume weighted average price (“VWAP”) per Share on any 3 consecutive Business Days selected by the Subscribers during the 45 Business Days immediately preceding the relevant conversion date on which Shares were traded on Catalist provided always that the Conversion Price for each Conversion Share shall not be less than the minimum conversion price of S\$0.001 (“Minimum Conversion Price”).*

- (ii) **What deliberations did the board have over the “floating” conversion price? Did the board analyze and quantify the potential impact to shareholders due to “floating” conversion price feature?**

The conversion price was arrived at based on a commercial decision negotiated between the Company and the Subscribers. The Board has deliberated over precedent cases which AOF and/or AOF I had respectively entered into with Attilan Group Limited and Anchor Resources Limited in regards to the subscription of RCN. The conversion prices were between the range of 80% to 90% of the VWAP per Share at the time of conversion.

Moreover, in the RCN subscription agreements, parties have fixed a minimum conversion price of S\$0.001 (“MCP”), below which no conversions will be permitted. Based on the MCP, the Board is able to determine the maximum number of shares to be issued pursuant to the RCN programme.

As such, the maximum dilution effect on the shareholders’ holdings in the Company is therefore quantifiable despite the “floating” conversion price feature.

- (iii) **Why is the company/board pursuing a RCN when SGX RegCo has highlighted several negative effects of such “death spiral” convertibles?** The Regulator’s Column on the “Impact and risks of “death spiral” convertibles can be found here: <https://www.sgx.com/media-centre/20160825-impact-and-risks-death-spiral->

## convertibles

The Company notes that shareholders' approval via an EGM is required to redeem the convertible notes. The RCN may just be one of an option to fundraising alternatives by the Board. Further re-assessment of the Group's restructuring exercise with detailed effect on the convertible will be analyzed for the circular to shareholders in the event that the Proposed Notes Issue will be executed as part of the Group's resumption plan or restructuring exercise. The Proposed RCN is not the only option with the objective to improve its financial position.

### (iv) **How critical is the RCN given that the company is also evaluating a RTO?**

The Company envisions that the RCN may not be critical, as it is also pursuing the Proposed Acquisition, which will allow the Company to expand into new business areas and grow revenues, both of which will help rebuild shareholder value. In addition, the Proposed Acquisition will facilitate the Group's attempts to build a profitable recurrent business and operate as a going concern in the long term.

**Q3.** The company entered into a sale and purchase agreement for the proposed acquisition of the entire issued and paid-up share capital of HK Aerospace Beidou New Energy Technology Co., Ltd. (the "Target"), a company incorporated in the Hong Kong Special Administrative Region of the People's Republic of China (HKSAR) and a substantially- owned subsidiary of Techna-X.

The consideration is approximately US\$500 million.

As announced, the target is believed to be the first company in the world to use rare metal Ruthenium base in its ultra-capacitor as well as a complete patent field and strategy in ruthenium ultra-capacitor technology to develop its own proprietary systems. The Target together with its subsidiaries have the intellectual property, global marketing and distribution rights of the ultra-capacitor technology to a range of industries for energy storage and Ruthenium Super Batteries ("RSB"). Its manufacturing operations are in the People's Republic of China and undertakes further research and development in international collaborations related to the ultra-capacitor technology.

The SPA can be found here :

<https://links.sgx.com/1.0.0/corporate-announcements/78W6BT30MEHYTVOL/80c7c940b063fd801aa4ccf5dce940b0f176306a2983d4423f03498c32f82f86>

### (i) **What is the experience of the board in mergers and acquisitions, and in valuation, especially one such as the target?**

The Board currently comprises three (3) Directors, one (1) of whom is independent, one (1) Managing and one (1) non-executive director. The Non-Independent Non-Executive Chairman since 25 July 2014 is Mr Ng Teck Wah, the founder and Managing Partner of Tremendous Asia Partners Group, a Southeast Asian focused private equity firm. Mr Ng is an Arthur Andersen thoroughbred, having joined the partnership upon graduation and had worked in various capacities across Southeast Asia before seeking early retirement in 2007 to build a Southeast Asian private equity operation. Mr Ng brings to the table 30 years of experience in consultancy, turnaround management, mergers and acquisition



and transaction advisory.

Mr Ng's last position before embarking into the private equity field was as the Executive Director of Transaction Advisory Services in Ernst & Young, Kuala Lumpur. He is one of the founding directors of Arthur Andersen Corporate Finance in Malaysia. During his tenure in Arthur Andersen, he has served in Singapore, Hong Kong, Manila, Thailand as well as Indonesia and has helped to develop the emerging corporate finance division in Southeast Asia. Please refer to the Company's Annual Report 2021 for further details.

Having considered his extensive experience and track record, Mr Ng is well-placed to lead the Board in the evaluation, assessment and oversight of the Proposed Acquisition. Together with the rest of the directors of the Company, he will be advised by the Company's management, the management team of the Target Group, as well as the appointed professionals in connection with the Proposed Acquisition.

The Company wishes to highlight that completion of the Proposed Acquisition is subject to, *inter alia*, satisfactory conclusion of the due diligence process by the Company and its appointed professionals.

**(ii) How was the consideration of US\$500 million ("Consideration") determined when the total equity of the target was \$43.3 million as at 30 September 2021?**

The Consideration was agreed on a willing-buyer, willing-seller basis, after arm's length and substantive negotiations with the Vendors. It is also subject to the market value of the Target Group ("**Market Value**"), to be ascertained by an independent and suitably qualified business valuer appointed by the Company ("**Independent Valuer**"). An independent valuation report will be prepared by the Independent Valuer, and included as an appendix to the circular to shareholders containing, *inter alia*, further information on the Proposed Acquisition ("**Circular**"). The Circular will be despatched to shareholders in due course.

The Board has also reviewed a desktop preliminary Discounted Cash Flow analysis on the Target Group, based on various input parameters provided by the Target, to support its analysis of the Consideration. In any event, the Board and Company will still be guided by the Independent Valuer's report with regards to the valuation of the Target Group in assessing the consideration sum.

The Parties have also agreed to renegotiate the commercial terms of the sale and purchase agreement in connection with the Proposed Acquisition, in the event the Market Value is below US\$500 million.

**(iii) In addition, Techna-X which is listed on the Main Board of Bursa Malaysia has a market capitalisation of RM231 million. Did the board take that into consideration?**

Whilst the Board had considered the difference between the market capitalisation of Techna-X and the Consideration, it is of the view that the valuation of the Target Group cannot be solely driven by the market capitalisation of its majority shareholder, which is subject to, *inter alia*, market vagaries, trading liquidity and trading volume of the Techna-X shares. Furthermore, Techna-X is not the sole shareholder of the Target. Other shareholders of the Target include Dr Wan Muhammad Hasni Bin Wan Sulaiman (25%), Nong You Hua (15%) and Satriya Bin Suetoh (10%).

As mentioned in our response (ii) above, the Consideration will be subject to the Market Value, to be ascertained by the Independent Valuer.

- (iv) Can the company identify the members of the board and in the senior management the company who are not conflicted? For instance, the introducer of the Target to the company is Datuk Lim Chih Li @ Lin Zhili, Jared, executive director of Techna-X and a controlling shareholder of the company.**

The Company or their associates, members of the Board and the Company's management do not have any interest, direct and indirect, in the Proposed Acquisition, save for their respective interests in the shares of the Company (as the case may be).

As disclosed in the Company's announcement dated 28 December 2021, the introducer of the Target to the Company is Datuk Lim Chih Li @ Lin Zhili, Jared, Executive Director of Techna-X and a controlling shareholder of the Company. No introducer fee or finder's fee is payable by the Company to Datuk Lim Chih Li @ Lin Zhili, Jared in respect of the Proposed Acquisition.

- (v) Can the company clarify how it will be negotiating with the vendors? Who will be leading the negotiation?**

The Board will be leading the negotiations with the Vendors. Where necessary, the Board will also seek the advice of the appointed professionals in connection with the Proposed Acquisition.