

METIS ENERGY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199006289K)
("Company")

RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Q1. Would the Board/management provide shareholders with greater clarity on the following operational and financial matters? Specially:

- (i) **Thermal energy: Can management help shareholders understand the reasons for the decrease in demand for electricity in FY2021? For the benefit of new and long-standing shareholders, please provide the details of the power plants. Has the board already carried out a review of relevance of the power plants as the group transforms into a renewable energy company?**

The decrease in demand for electricity in FY2021 was mainly due to the decrease in demand for electricity by the offtakers during Covid-19 pandemic in the region.

Yes, the Board has reviewed the relevance of continuing to own the thermal power plants and will keep the shareholders informed when there are new developments.

- (ii) **Shipping: Has management actively explored the disposal of the shipping segment? Would it be timely to consider a sale given the strong performance in the sector in FY2021?**

Yes, the Management has been actively exploring the disposal opportunities with interested industry players in the region. We will keep the shareholders informed of the key developments. We expect the disposal to be completed by September 2022.

- (iii) **Ningbo Project: Has the expected construction completion date (currently June 2025) been affected or delayed by Covid-19 or any other factors? What is the role of CapitaLand China in the development? How much more capital is required to complete the construction? Can management also provide shareholders an update of the credit funding market in Ningbo/China?**

No, the expected construction completion date (currently June 2025) has not been affected or delayed by Covid-19 as at May 2022. CapitaLand China has been advising the Company on the selection of service providers for the design, construction, and marketing exercises in the region, and implementing the procedures to control the costs in an efficient manner.

As disclosed in "(ii) Information on the Ningbo Project - (A) Funding" of Section 2.1 of the Circular dated 22 February 2022, the Company will not inject any additional funds for the property development segment. Accordingly, it is envisaged that KaiYi will take the lead in funding the construction payments for property development in the Ningbo Project moving forward. We will keep the shareholders informed of the key developments.

Q2. As noted in the Chairman and CEO's statement, the group will be repositioning itself as the leading renewable energy company in Asia and Australia by providing green and sustainable power to commercial & industrial and utility customers to reduce their carbon footprint.

Though the newly acquired Athena Energy Holdings Pte. Ltd., the growth focus of the group will be renewable energy opportunities, primarily in Vietnam, Indonesia, the Philippines, Bangladesh and Australia, in the next 3 years.

- (i) Can management help shareholders understand the financial strength of Huafu? How does management assess the counterparty / credit risks of the buyer of electricity (typically ranging from 20 to 25 years)?**

As disclosed in Section 3.3 of the Circular dated 22 April 2022, Huafu Vietnam was incorporated in 2013 and is in the principal business of supplying and manufacturing yarn in Southeast Asia, with a production capacity up to 280000 spindles of yarn and 20000 tons of dyeing yarn. Huafu Fashion Co., Ltd. ("**Huafu Fashion**") is the indirect sole shareholder of Huafu Vietnam, through its holding vehicle Huafu HK Co. Limited (CR NO. 1184194) and is the first company in the colour spun industry in China to be listed on the Shenzhen Stock Exchange.

The construction of Project Huafu was funded by responsAbility Investments AG ("**responsAbility**"), a Swiss sustainable asset manager. It provides a USD 14 million syndicated senior secured loan to Athena Energy Holdings Pte. Ltd. ("**Athena**") to finance projects that reduce carbon emissions in Vietnam, including Project Huafu. The two climate finance funds managed by responsAbility have carried out their independent assessments on the credit risks of Huafu. Please refer to the announcement dated 30 March 2022 for details.

As disclosed in "*(b) How the Company's customers and EPC suppliers are evaluated*" of Section 3.7 of the Circular dated 22 April 2022, the Company has a professional business development team in the target markets to source its customers and projects. The commercial case of each project will be carefully studied and analysed from both technical and commercial aspects before they are presented to the management and the Board.

To assess the financial health of the prospective customers in addition to reviewing the overall commercial terms in the proposed PPAs, the Company has implemented two sets of internal and external credit assessment exercises to ensure that the assessments are comprehensive and balanced.

(ii) What is the management's experience, track record and understanding of the business culture in Indonesia, the Philippines, Bangladesh?

The Company has been in operating its business in Indonesia for more than fifteen years and the Management of the Company has a very good understanding of the business culture in Indonesia.

For venturing into the renewable energy business, please refer to "(a) *The Company's expertise and resources in evaluating and determining the terms of PPAs and EPCs*" of Section 3.7 of the Circular dated 22 April 2022 for details.

The Company's management has sufficient expertise and resources in evaluating and determining the investments into the projects in the region (including the projects situated in Indonesia, Philippines, Bangladesh) and terms of the contractual arrangements at two different levels, being the (a) board level, which focuses on the strategic direction of the Company; and (b) management level, which focuses on the project execution itself.

The Board and the Management have the proven track record to deliver the utility-scale energy projects in Indonesia, Philippines and Bangladesh, and their working knowledge and the skillsets complement each other as a team.

(iii) Has the board assessed the risks of utility-scale projects which are often subjected to government-mandated feed-in-tariffs?

The Board has very clear investment criteria and adopts a prudent risk assessment process to evaluate the risk profile of all projects, including the utility-scale projects.

(iv) What is the track record of Athena in utility-scale projects? Would the complexity and technical know-how of a utility-scale project be vastly more demanding than a C&I project? What is the level of confidence that the group can smoothly deliver an utility-scale project?

The Board of Directors of the Company and the Management of Athena have the proven track record in delivering the mega utility-scale energy projects, and experience in managing the mega utility-scale projects. The working knowledge and the skillsets of the Board and Management complement each other as a team. We will be able to adapt similar process for the C&I projects as well as the utility scale projects for delivery.

Q3. In addition, the company is seeking shareholders' approval to adopt a new performance share scheme and a share option scheme, tentatively known as Metis Energy Performance Share Scheme 2022 (MEPSS 2022) and Metis Energy Share Option Scheme 2022 (MESOS 2022).

These are to replace the Manhattan Resources Performance Share Scheme 2008 (MRPSS 2008) and the Manhattan Resources Share Option Scheme 2008 (MRSOS 2008).

- (i) Can the Board, especially the remuneration committee, help shareholders understand if it has reviewed the effectiveness of the MRSOS and MRPSS? To what extent did the old schemes achieve the desired objectives?**

The MRSOS and MRPSS were approved by the Shareholders at an extraordinary general meeting held on 16 September 2008 and have expired on 15 September 2018.

As previously disclosed in our announcement dated 20 October 2022, the Company has acquired Athena alongside its experienced development team. Athena has more than 1 GW of renewable energy pipeline projects in Vietnam, Indonesia, the Philippines, Australia and Bangladesh that are expected to commence construction in the next two to three years.

The MEPSS 2022 and MESOS 2022 allow the Company to compensate its employees, align the employee's incentives with those of the company, and allow them to participate in the growth of the company's equity. An important consideration for the Company is that it conserves cash.

The terms of the schemes and such practice are adopted by many industry players to incentivize and retain the key business contributors.

- (ii) What are the differences between the retired schemes and the proposed schemes?**

There are no differences between the retired schemes and the proposed schemes.

- (iii) Can the Board help shareholders understand if this is the appropriate time to approve the schemes given that the group has only just started on its new growth trajectory in solar energy?**

The Board is of the view that it is an appropriate time to approve the schemes to retain and align the key management for the common goal to transform the Company into a leading renewable energy company in the region. The schemes are expected to provide incentives to accelerate the business growth.

- (iv) What was the level of involvement (and due diligence) by the Board / remuneration committee in coming up with the design and the terms of the new schemes? Did the company leverage any consultants?**

The Company or the Board did not engage any external consultants for designing the terms of the new schemes.

- (v) What is the benefit of granting options at a discount under the MESOS 2022?**

The Company will consider to grant the options at a discount under the MESOS 2022, when it is necessary to keep our compensation package competitive so as to retain talents.

On behalf of the Board

Tang Kin Fei
Board Chairman
8 May 2022