
THE PROPOSED DISPOSAL OF PHASE 2 FACTORY LOCATED AT XIANGLIU VILLAGE, GONGXING TOWN, MIANZHU CITY, SICHUAN PROVINCE, PEOPLE'S REPUBLIC OF CHINA – RECEIPT OF WAIVER FROM COMPLYING WITH THE REQUIREMENT OF RULE 1014(2) OF THE CATALIST RULES

The Board of Directors (the “**Board**” or “**Directors**”) of AsiaPhos Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refer to the announcement dated 29 November 2021 in connection with the sale and purchase agreement dated 29 November 2021 (“**SPA**”) between the Company’s subsidiary, Sichuan Mianzhu Norwest Phosphate Co., Ltd (“**Seller**”) and Sichuan Mianzhu Huaxinfeng Food Co.,Ltd (“**Buyer**”) for the proposed disposal of the Phase 2 Factory Assets (as defined in the Announcement) located at Xiangliu Village, Gongxing Town, Mianzhu City, Sichuan Province, PRC (the “**Proposed Disposal**”).

As the relative figures under Rule 1006(c) of the Catalist Rules exceed 50%, the Proposed Disposal constitutes a “major transaction” under Rule 1014 of the Catalist Rules and is subject to the approval of the Shareholders in a general meeting.

The Company has written to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) to apply for waiver (“**Waiver**”) from the requirement of Rule 1014(2) of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”).

On 24 December 2021, the SGX-ST has advised that based on the Company’s submissions and representations to the SGX-ST, it has no objection to the Company’s application for Waiver with regard to compliance with Listing Rule 1014(2) subject to the following:

(i) “The Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Catalist Rule 106 and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met.”

The Waiver will not be effective if any of the conditions have not been fulfilled.

The SGX-ST reserves the right to amend and/or vary the above decision and such decision is subject to changes in the SGX-ST’s policies.

Reasons for seeking the Waiver

The Company applied for the Waiver from the SGX-ST based on, *inter alia*, the following merits:

(a) Change of the Group’s downstream business model since May 2019

The Phase 2 Factory Assets which is the subject of the Proposed Disposal has been rented out to a third party, Lianyungang Zexin Food Ingredients Co., Ltd (“**Zexin**”) since May 2019. Consequently, the Group’s business model has since changed as it has ceased the manufacturing of phosphate based chemical products (including, *inter alia*, STPP) and focus mainly on trading of phosphate based chemical products. Such decision was made in view of, *inter alia*, the ongoing dispute with the Chinese Government in connection with the expropriation of the Group’s mining licenses.

The Board is of the view that the Proposed Disposal of the Phase 2 Factory Assets is in the best interest of the Group, as it will enable the Group to realize the value of the Phase 2

Factory Assets and is in line with the Group's strategy to restructure the Company and strengthening the Group's financial position.

(b) The Proposed Disposal will result in an improvement of the Group's financial position

Excluding the assets and liability of the disposal group, the Group's current liabilities exceeded its current assets by S\$12.1 million as at 30 September 2021. The Group's cash amounted to only S\$700K as at 30 September 2021 and the net cash flow used in operating activities amounted to approximately S\$1.2 million for financial period 9 months ended 30 September 2021 ("**9M2021**"). The Proposed Disposal will result in Net Proceeds of RMB30.5 million (or approximately S\$6.5 million), of which approximately RMB2.05 million (or approximately S\$0.44 million) will be utilized to partially repay the outstanding loan from Bohai Bank of approximately RMB21.05 million (due in December 2021) and the remaining of net proceeds will be used for general working capital (including, *inter alia*, further repayment of the Group's borrowings as and when required). The Proposed Disposal will strengthen the Group's balance sheet and improve its liquidity. Upon completion of the Proposed Disposal and partial repayment of the outstanding loan from Bohai Bank, the Group will remain in net current liabilities position (excluding the assets and liability of the disposal group), but it will be reduced from approximately S\$12.1 million as at 30 September 2021 to approximately S\$5.5 million. The Group's total bank borrowings and gearing ratio will be reduced from approximately S\$6.5 million and 9.7% respectively as at 30 September 2021 to approximately S\$6.02 million and 9.0% respectively. The remaining Net Proceeds of approximately RMB28.4 million (after partial repayment of the outstanding loan from Bohai Bank) may still be used to further reduce the Group's borrowings (as and when required).

(c) The Phase 2 Factory Assets are non-core assets

The Proposed Disposal is a disposal of non-core assets (taking into account the fact that the Phase 2 Factory Assets have been rented out since May 2019 and that the Group has ceased its manufacturing activity of phosphate based chemicals products since May 2019) and will not affect the nature of the Group's current principal business activity, which is mainly trading of phosphate based chemical products. The Board confirms that the Proposed Disposal will not have any material impact on the cooperation agreement/arrangement between the Group and Zexin for the sale and purchase of products manufactured by the Phase 2 Factory Assets and that the Group will be able to secure products from suppliers other than Zexin for its trading business to continue as status quo. Lastly, the Board further confirms that: (i) the Phase 2 Factory Assets are not critical and are ancillary to the principal business activity of the Group, which is trading of phosphate based chemical products; and (ii) the Phase 2 Factory Assets are not an existing principal business of the Group.

(d) The Proposed Disposal will not result in change of risk profile for the Group

The Phase 2 Factory Assets were not a significant contributor to the Group's financials during FY2019 to 9M2021 after considering the depreciation of the Phase 2 Factory Assets. The Phase 2 Factory Assets generated small net profit (after considering the depreciation) of approximately S\$26 thousand, S\$88 thousand, and S\$30 thousand for FY2019, FY2020 and 9M2021 respectively. Hence, based on the profit contribution and the fact that it is a non-core asset, the Proposed Disposal will not result in a change in risk profile of the Group, save for the beneficial effects of utilizing the proceeds from the Proposed Disposal to, *inter alia*, reduce the Group's borrowings and finance the Group's working capital requirements. The Proposed Disposal will generate cash to strengthen the liquidity and improve net working capital position of the Group.

(e) The Board is of the view that the Consideration for the Proposed Disposal is fairly reasonable

Whilst the Consideration for the Proposed Disposal is at a discount of close to 11.8% from the market value as at 31 July 2020 ascribed by an independent valuer, the Proposed Disposal is not on a forced sale basis and the resulting loss on disposal is minimal, being approximately S\$13 thousand. It should be noted that the Phase 2 Factory Assets are deemed as special purpose assets and the interest to acquire them will only be from a small group of players within the same industry. In addition, the Board confirms that they have been attempting to sell the Phase 2 Factory Assets for past 2 years and the Proposed Disposal is the best concrete offer that the Company has received to-date. Taking into account, *inter alia*, the fact that the Phase 2 Factory Assets are special purpose assets, comparison with offers obtained from other interested buyers, and the minimal loss on disposal, the Board is of the view that the Consideration for the Proposed Disposal is fairly reasonable. In addition, the Board noted Zexin's good track record and credit standing based on their past three years business relationship.

(f) Undertakings from majority Shareholders to vote in favour of the Proposed Disposal

The Company had obtained undertakings ("**Undertakings**") from FICA (Pte) Ltd, Astute Ventures Pte Ltd, Dr Ong Hian Eng, Ong Bee Pheng (Wang Meiping), Ong Eng Keong (Wang Rongkang), Ong Bee Kuan Melissa, Ong Eng Hock, Simon, and Ong Eng Siew, Raymond who collectively are referred as "**Undertaking Shareholders**" and hold in aggregate approximately 54.23% of the issued share capital of the Company. Pursuant to the Undertakings, each of the Undertaking Shareholders has undertaken to vote each of their entire shareholdings in the Company in favour of the Proposed Disposal if an EGM is to be convened for the purposes of the Proposed Disposal.

(g) The Announcement contained all disclosure requirements for a Major Transaction

Notwithstanding whether the Waiver is approved or not, full disclosure on pertinent points required for a circular for a Major Transaction has been made in the Announcement. The Company will make further announcement to inform Shareholders in the event that the SGX-ST approves the application for the Waiver, including the reasons for the application of the Waiver as indicated herein

The Board confirms that the Company will not be in contravention of any laws and regulations governing the Company and the constitution of the Company arising from the Waiver.

The Company further confirms that the Waiver conditions have been satisfied.

As the SGX-ST has granted the Waiver to the Company, the Company will not be convening an EGM to seek the approval of Shareholders for the Proposed Disposal and accordingly, will not be dispatching a circular to Shareholders in relation thereto.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Waiver, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

BY ORDER OF THE BOARD

Dr. Ong Hian Eng
Executive Director
AsiaPhos Limited

24 December 2021

*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. Liau H.K., at 160 Robinson Road, #21-05 SBF Center, Singapore 068914, Telephone number: 6221 0271