

Disposal of a Subsidiary and Entry into a Sale and Purchase Agreement

1. Introduction

- 1.1 The board of directors (the “**Board**” or “**Directors**”) of Asiaphos Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 29th July 2024 entered into a Sale and Purchase Agreement (the “**Agreement**”) with Norwest Chemicals Pte. Ltd. (the “**Target**”) and Luo Yong (the “**Purchaser**”) for, *inter alia*, the sale of all of the shares held by the Company in the Target (the “**Target**” and such shares collectively the “**Sale Shares**”) to the Purchaser (the “**Disposal**”). Each of the parties to the Agreement is hereinafter referred to as a “**Party**” and collectively the “**Parties**”.
- 1.2 The Disposal is considered a “discloseable transaction” of the Company under Chapter 10 of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). For further details on the relative figures in respect of the Disposal computed on the bases set out in Rule 1006 of the Catalist Rules, please refer to paragraph 6 of this Announcement.
- 1.3 Upon completion of the Disposal, the Target will cease to be a subsidiary of the Group.

2. Information on the Target and the Purchaser

All information in respect of the Purchaser is based solely on information provided to the Company by the Purchaser. In respect of such information, the Company and the Board have not independently verified the accuracy and correctness of the same and the Company’s responsibility is limited to ensuring that such information has been accurately and correctly extracted and reproduced in this announcement in its proper form and context.

2.1 The Target

The Target was incorporated in Singapore in 1996 as a wholly-owned subsidiary of the Company. Its principal activities comprise investing in chemical projects, general wholesale trade and the trading of chemicals. The Target currently holds, directly or indirectly, 100% of the equity interest in the following companies:

2.1.1. 四川绵竹华丰磷化工有限公司 (Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd.) (“**SMNPC**”), a company incorporated in Mianzhu City, Sichuan Province, the People’s Republic of China (the “**PRC**”), with its principal activities being the exploration, mining and sale of phosphate rocks, and the production and sale of phosphorus and phosphate-based chemical products. As disclosed in the Company’s previous announcements, SNMPC was the owner of two mining and exploration rights and related assets which were amongst the subject of international arbitration proceedings between the Group and the PRC Government (the “**Arbitration**”);

2.1.2. 四川荣达丰化工有限公司 (Sichuan Rongdafeng Chemical Co., Ltd.), a company incorporated in Mianzhu City, Sichuan Province, the PRC, with its principal activities being the manufacturing and sale of chemical products. The ownership and assets (including

property, plant and equipment and land use rights) of 四川荣达丰化工有限公司 (Sichuan Rongdafeng Chemical Co., Ltd.) are in the process of being transferred to Sichuan Rongda Yuexiang Chemical Group Co., Ltd. ("**Rongda**") pursuant to a Cooperation Agreement dated 20 March 2023 and subsequent supplemental agreements entered into between SMNPC and Rongda. Please refer to the Company's previous announcements for more details on the transfer;

- 2.1.3. XDL Resources Pte. Ltd., a company incorporated in Singapore, with its principal activity being investment holdings; and
- 2.1.4. 德阳市显荣科技咨询有限公司 (Deyang City Xianrong Technical Consulting Co., Ltd.) ("**Deyang City**"), a company incorporated in Deyang City, Sichuan Province, the PRC, with its principal activities being mining activities, internet technology consulting services and the wholesale of mineral products, as well as transportation services.

In addition, the Target, through Deyang City, indirectly holds 55% of 德阳市峰泰矿业有限责任公司 (Deyang Fengtai Mining Co., Ltd.) ("**Deyang Fengtai**"), a company incorporated in Deyang City, Sichuan Province, the PRC, with its principal activities being the sale of mineral products. As disclosed in the Company's previous announcements, Deyang Fengtai was and is no longer the owner of one mining exploration right and related assets which were also amongst the subject of the Arbitration.

The Target and the subsidiaries listed above (collectively, the "**Sale Entities**") carried out, principally, the exploration, mining and sale of phosphate rocks and the manufacturing, trading and selling of phosphate chemical products and commodity products (the "**Mining Business**") until the discontinuance of the Mining Business in FY2017 (with "**FY**" being a financial year ended or ending 31 December) as further elaborated in paragraph 3.1 below. In addition, SNMPC, XDL Resources Pte. Ltd., Deyang City, and Deyang Fengtai are currently dormant.

Accordingly, the Sale Entities are not core assets of the Group.

2.2 The Purchaser

The Purchaser is a shareholder of the Company holding, directly, 62,277,900 shares in the Company (comprising 4.21% of the Company's issued share capital).

As at the date of this announcement, apart from his shareholding in the Company, the Purchaser is not related to any of the Directors or controlling shareholders of the Company. The Purchaser approached the Company to indicate his interest in the Disposal following disclosures relating to an extraordinary general meeting of the Company held on 28 May 2024, published before that date.

3. **Rationale for the Disposal**

- 3.1 As disclosed in the Company's circular to its shareholders in relation to, *inter alia*, the diversification of the Group's business, dated 6 May 2024 (the "**Circular**") and announcements by the Company on the SGXNet, the Company's Mining Business has been discontinued since FY2017 in view of, *inter alia*:
 - 3.1.1. disputes with and directives from the PRC government and/or the Mianzhu City Government to vacate, rehabilitate and stop work at certain mines operated by the Sale Entities;
 - 3.1.2. the shut down and ongoing disposal of the Group's phosphorus plant assets (such as plant buildings, facilities and equipment); and

3.1.3. the ongoing disposal of a Sodium Tripolyphosphate plant and associated land use rights by the Group.

Accordingly, of the Mining Business, the only activities that the Group will continue to undertake following completion of the ongoing disposals will be that of the trading of phosphate-based chemical products and commodity products.

- 3.2 The status of the Group's Mining Business has led the Group to be in a loss-making position since FY2016. As set out at paragraph 6 below, the Sale Shares have a net asset value ("**NAV**") of negative S\$3.7 million after adjusting for written-off of advances from the Sale Entities to the Company of approximately S\$3.5 million and transfer of cash from the Sale Entities to the Company of approximately S\$7.3 million pursuant to the Agreement and the losses before tax attributable to the Sale Entities, being S\$103,700, comprise approximately 24.1% of the Group's losses before tax for period from 1 January 2024 to 31 March 2024 ("**1Q2024**"). The profits attributable to the Sale Entities, being approximately S\$2.3 million, comprise 274.6% of the Group's profit before tax for FY2023, mainly due to a one-off reversal of impairment loss in relation to the P4 Plant.
- 3.3 The Company had sought and obtained its shareholders' approval to the diversification of the Group's business to expand its Trading Business (as defined in the Circular) and to include the Renewable Energy Business (as defined in the Circular) at an extraordinary general meeting of the Company held on 28 May 2024.
- 3.4 Accordingly, the Company wishes to focus its resources on its expanded Trading Business and new Renewable Energy Business, while disposing of the Sale Entities which the Board is of the view are a drain on the Group's working capital and expose the Group to continued regulatory risks. This disposal of loss-making assets would allow for a more efficient allocation of available resources to grow the Group's Trading Business and Renewable Energy Business, ultimately being for the benefit and in the best interests of the Company and the Company's shareholders.

4. Principal terms of the Agreement

4.1 The Disposal

The Company has agreed to sell and the Purchaser has agreed to purchase all of the legal and beneficial interest in the Sale Shares on an "as is where is" basis as at the completion of the Disposal ("**Completion**"), together with all rights, dividends, benefits and entitlements attaching to the Sale Shares as from Completion. The Purchaser may elect for the Sale Shares to be transferred by the Company to a company nominated by the Purchaser (the "**Nominated Party**"), in place of the Purchaser.

4.2 Consideration

The aggregate consideration for the Sale Shares shall be S\$2, to be paid by the Purchaser to the Company at Completion, in cash and in Singapore dollars.

The consideration was arrived at based on commercial negotiations between the Company and the Purchaser on a "willing-buyer, willing-seller" basis, after taking into account the NAV of the Sale Shares of approximately negative S\$3.7 million and the aggregate amount of losses before tax attributable to the Sale Entities of S\$103,700 for 1Q2024.

4.3 Conditions precedent

The obligations of the Company under the Agreement to proceed to Completion are conditional upon the satisfaction (or written waiver by the Company) of conditions including, *inter alia*:

- 4.3.1 all necessary or, in the Company's view, desirable member, board or other internal corporate approvals having been passed by the Company and each of the Sale Entities to approve the Disposal;
- 4.3.2 all necessary or, in the Company's view, desirable consents, approvals, waivers, permits, licenses or exemptions having been obtained on terms and conditions acceptable to the Company and not having been suspended, cancelled, revoked or varied;
- 4.3.3 there having been no objections to the Agreement and the transactions contemplated thereunder from the SGX-ST and/or other government authorities, regulatory authorities or third parties, and the Company not being aware of any non-compliance (or possible non-compliance) with any rules, regulations, directives or guidelines of the foregoing entities which has not been rectified to the satisfaction of the Company and the relevant entity;
- 4.3.4 no competent government authority, tax authority or other regulatory authority or the SGX-ST having enacted, issued or promulgated any applicable law that is in effect and has the effect of making the consummation of any transaction contemplated under the Agreement illegal or which has the effect of prohibiting or otherwise preventing the consummation of any transaction contemplated under the Agreement;
- 4.3.5 without prejudice to the generality of paragraph 4.3.4, there being no orders, decrees, awards, injunctions or determinations made or issued by any court, tribunal or arbitrator preventing the consummation of any transactions contemplated under the Agreement;
- 4.3.6 the execution of any necessary or, in the Company's view, desirable deeds of waiver and release to waive and discharge any and all debts, liabilities and obligations owed by the Group (less the Sale Entities) to the Sale Entities;
- 4.3.7 the Company's nominee(s) having retired as director(s) and legal representative(s) of the Sale Entities, and such retirements having taken effect and been notified to the relevant government authorities in both Singapore and the PRC;
- 4.3.8 the sum of RMB7 million that is currently the subject of an injunction pursuant to proceedings instituted by Huili County Jiahong Chemical Co., Ltd having, after deducting therefrom the aggregate amount payable to Huili County Jiahong Chemical Co., Ltd. pursuant to the judgement or determination or equivalent rendered in the relevant proceedings (whether as damages, costs or otherwise), been remitted to and received by the Company in Singapore, provided that in the event that the amounts to be deducted exceed RMB7 million, the amount remitted to and received by the Company will be RMB0 and the Vendor will have no obligation nor responsibility whatsoever to make payment of the excess; and
- 4.3.9 save as for the aggregate sum of SGD500,000 (or its equivalent in the relevant currency), all monies held by each Sale Entity, whether in its bank account(s) or in any other manner having been paid to and received by the Company in Singapore. The foregoing amount of SGD500,000 was agreed between the Company and the Purchaser taking into account the liabilities to be settled and expenses to be incurred by the Sale Entities due to activities undertaken by the Sale Entities as part of the Group; and
- 4.3.10 the Purchaser having performed all the undertakings required to be performed by it under the Agreement (other than those required to be performed at Completion).

If any of the above conditions precedent have not been fulfilled or waived in writing by the Company by 31 December 2024, the Company shall have the right to terminate the Agreement by written notice to each other Party and no Party shall have any claim against any other Party for costs, damages, compensation or otherwise, save for any claim arising from any antecedent breach of this Agreement or in respect of clauses which are by their nature intended to survive the termination of the Agreement.

4.4 Completion

Completion shall take place on the date falling five (5) business days after the fulfilment (or waiver) of all the conditions precedent or on such other date as the Company and the Purchaser may mutually agree but in any event no later than 31 December 2024.

Subject to Completion having taken place, all risks and rewards of and/or associated with the Sale Shares shall be deemed to have passed to and accrued to and for the Purchaser as from 26 July 2024.

4.5 The Company's obligations in respect of an arbitration award

The Company refers to its announcement on 25 January 2024 (and the announcements referred to therein) in respect of the Arbitration and resulting arbitration award, pursuant to which the Company and the Target have been ordered to reimburse the PRC the sums of US\$280,000 and RMB6,350,000 in legal costs related to the Arbitration. Under the Agreement, the Company has agreed to pay all damages and costs (as well as accrued post-award interest on such amounts) arising out of such arbitration award, up to the aggregate of US\$280,000, RMB6,350,000 and the amount equivalent to the accrued post-award interest payable. These payments will be made in such manner and at such times as determined by the Company in its sole discretion, provided that the Purchaser shall provide to the Company all reasonable assistance in arranging such payment and providing documentary receipts of such payment.

4.6 Other salient terms of the Agreement

4.6.1. The Purchaser has undertaken to the Company that commencing from Completion it shall, *inter alia*, grant the Company and its auditors reasonable access to the accounting records and other business records of the Sale Entities, to make copies thereof, to disclose such records, as well as to arrange for the audit of such accounting records, to allow the Company to comply with its obligations under applicable laws, relevant accounting standards, and the rules, practice directions and guidelines of the SGX-ST.

4.6.2. The Purchaser has also agreed to bear all taxes payable in connection with the transfer of the Sale Shares.

4.6.3. In addition, upon Completion, the Purchaser and the Target shall procure the Sale Entities to, and the Target shall, irrevocably waive and terminate any and all debts, liabilities and obligations owing or owed by the Company and/or its subsidiaries to the Sale Entities as at Completion, and no claims shall be brought by any Sale Entity nor the Purchaser against the Company or its subsidiaries for any such debts, liabilities and obligations.

4.6.4. Each other Party to the Agreement has agreed that it shall not bring any claim against the Company in respect of any breach of the Agreement.

5. **Use of proceeds**

As the Consideration is nominal, there will be no net proceeds arising from the Disposal.

6. Relative figures under Rule 1006 of the Catalist Rules

The relative figures under Rule 1006 of the Catalist Rules for the Disposal are set out below. For the purposes of Chapter 10 of the Catalist Rules, and in particular Rule 1005 of the Catalist Rules, under which separate transactions completed within the last 12 months may be required to be aggregated and treated as if they were one transaction, the relative figures are based on the latest announced unaudited consolidated financial statements of the Group for 1Q2024, as adjusted for, *inter alia*, (a) the completion of the Rights Issue, (b) the write off of advances from the Sale Entities to the Company of approximately S\$3.5 million, and (c) cash to be transferred from the Sale Entities to the Company of approximately S\$7.3 million under the terms of the Agreement (the “**Pro Forma Statements**”).

Catalist Rule 1006	Description	Relative figure
(a)	The NAV of the assets to be disposed of, compared with the Group’s NAV. This basis is not applicable to an acquisition of assets. ⁽¹⁾	(232.7)%
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits. ⁽²⁾	24.1%
(c)	The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares.	0.0% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable ⁽⁴⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the SGX-ST may permit valuations to be used instead of volume or amount.	Not Applicable ⁽⁵⁾

Notes:

- (1) “Net assets” means total assets less total liabilities. Based on the Pro Forma Statements, the NAV of the Sale Entities as at 31 March 2024 is approximately negative S\$3.7 million and the NAV of the Group is approximately S\$1.6 million after adjusting for the net proceeds of the Rights Issue.
- (2) “Net profits” means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. Based on the Pro Forma Statements, the net loss attributable to the Sale Entities for 1Q2024 was approximately S\$103,700 and the Group’s net loss for 1Q2024 was approximately S\$430,000. In the event that all revenue and expenses related to the Trading Business are assumed to be transferred to the Company, the net loss attributable to the Sale Entities for 1Q2024 would be approximately S\$21,900 and the relative figure under Rule 1006(b) would be 5.1%.
- (3) Based on the issued share capital (excluding treasury shares) of the Company of 1,479,627,207 ordinary shares in the capital of the Company, the weighted average price of S\$0.0048 per share transacted on the SGX-ST on 26 July 2024 (being the last market day preceding the date of the execution of the Agreement), and the consideration of S\$2 for the Sale Shares, the relative figure under Rule 1006(c) is minimal.

- (4) Rule 1006(d) is not applicable to a disposal of assets.
- (5) The Company has ceased all activities comprising the exploration, development or production of mineral, oil or gas since FY2017, and accordingly is not a mineral, oil and gas company.

The Disposal involves the disposal of a loss-making company with a negative net asset value. Notwithstanding, the Disposal would result in a gain on disposal of approximately S\$3.7 million. As the absolute relative figures computed involves negative figures which falls within the situations set out in Paragraphs 4.4 (c) and (e) of Practice Note 10A of the Catalist Rules, that is (i) the absolute relative figure computed on the basis of Rule 1006(b) and (c) of the Catalist Rules do not exceed 50%; and (ii) the Disposal does not result in a loss on disposal, Rule 1014 of the Catalist Rules would not apply to the Disposal and hence, the approval of shareholders of the Company is not required for the Disposal. However, the Company must immediately announce the information required pursuant to Paragraph 4.4 of Practice Note 10A of the Catalist Rules.

7. Financial information on the Sale Shares

7.1 Book value

Based on the Pro Forma Statements, the net book value of the Sale Shares is approximately negative S\$3.7 million as at 31 March 2024. The proceeds from the Disposal, being the consideration of S\$2, represents a gain of approximately S\$3.7 million over the net book value of the Share Shares as at 31 March 2024.

7.2 Net tangible asset value

Based on the Pro Forma Statements, the net tangible liability value of the Sale Shares is approximately S\$3.7 million as at 31 March 2024.

7.3 Latest available open market value

No valuation has not been conducted on the Sale Entities taking into account that the Sale Entities are currently dormant and all assets held by the Sale Entities have been (or are in the process of being) disposed of, and the benefits to the Group of disposing of the Sale Entities expeditiously.

7.4 Net loss attributable to the Sale Shares

Based on the Pro Forma Statements, the net loss attributable to the Sale Shares is approximately S\$103,700 for 1Q2024 and the gain on disposal would be approximately S\$3.7 million.

Based on the Group's audited financial statements for FY2023, the pre-tax profits attributable to the Sale Entities, being approximately S\$2.3 million, comprise 274.6% of the Group's profit before tax for FY2023, mainly due to a one-off reversal of impairment loss in relation to the P4 Plant held by the Sale Entities which the Group is in the process of disposing of.

8. Financial effects of the Disposal

8.1 The financial effects of the Disposal presented below:

- 8.1.1. are purely for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and/or the Group immediately after Completion;

- 8.1.2. are based on the audited consolidated financial statements of the Group for FY2023 and assuming Completion;
- 8.1.3. assume, for illustrative purposes only, that:
- (a) in calculating the financial effects on the net tangible assets (“**NTA**”) per share of the Company as at 31 December 2023, the Disposal had been completed on 31 December 2023; and
- (b) in calculating the financial effects on the earnings per share (“**EPS**”) of the Group for FY2023, the Disposal had been completed on 1 January 2023; and
- 8.1.4. do not take into account expenses that may be incurred in connection with the Disposal.
- 8.2 No representation is made as to the actual results and/or financial position of the Company and/or the Group.

8.3 NTA

	Before completion of the Disposal	After completion of the Disposal
NTA attributable to the equity holders of the Company as at 31 December 2023 (S\$'000)	2,017	5,751
Number of issued shares in the Company, excluding treasury shares and subsidiary holdings	1,479,627,207	1,479,627,207
NTA per share of the Company (Singapore cents)	0.14	0.39

8.4 EPS

	Before completion of the Disposal	After completion of the Disposal
Profit after tax attributable to the equity holders of the Company for FY2023 (S\$'000)	2,074	8,756
Number of issued shares in the Company, excluding treasury shares and subsidiary holdings	1,479,627,207	1,479,627,207
EPS of the Company (Singapore cents)	0.14	0.59

9. Information required under Rules 1011, 1012 and 1013 of the Catalist Rules

The figures used to compute the relative figure under Rule 1006(a) and (b) of the Catalist Rules involve negative figures and the absolute relative figures computed on the basis of each of Rule 1006(b) and Rule 1006(c) of the Catalist Rules do not exceed 50%. Accordingly, pursuant to paragraph 4.4 of Practice Note 10A of the Catalist Rules, in addition to the information required under Rule 1010 of the Catalist Rules, the Company is also required to announce the information required in Rules 1011 to 1013 of the Catalist Rules, where applicable. In connection therewith:

- 9.1.1. with reference to Rule 1011, please see paragraph 13 of this announcement;
- 9.1.2. with reference to Rule 1012, no profit forecast is contained in this announcement; and

9.1.3. with reference to Rule 1013, the Company has not accepted any profit guarantee, profit forecast or covenant quantifying the anticipated level of future profits from a vendor of assets or business, as the transaction at hand is a disposal of assets.

10. Service agreements

No person is proposed to be appointed as a director of the Company in connection with the Disposal and hence no service agreement in relation thereto is proposed to be entered into by the Company.

11. Interests of Directors and substantial shareholders

None of the Directors nor substantial shareholders of the Company have any interest, direct or indirect, in the Disposal other than through their respective shareholdings in the Company.

12. 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 Disposal, 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 this 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 this announcement in its proper form and context.

13. Documents available for inspection

A copy of the Agreement is available for inspection at the registered office of the Company at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632, during normal business hours for three (3) months from the date of this announcement.

14. Cautionary Statement

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully and to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors of the Company should note that the Disposal is subject to conditions precedent and there is no certainty or assurance as at the date of this announcement that the Disposal will be completed. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.

By Order of the Board

Mr. Ong Eng Keong (Wang Rongkang)
Executive Director and Chief Executive Officer
29th July 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 SGX-ST and the SGX-ST 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.