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THE PROPOSED DISPOSAL OF PHASE 2 FACTORY LOCATED AT XIANGLIU VILLAGE, GONGXING TOWN, MIANZHU CITY, SICHUAN PROVINCE, PEOPLE'S REPUBLIC OF CHINA

1. INTRODUCTION

The Board of Directors of AsiaPhos Limited (the "Company" and together with its subsidiaries, the "Group") wishes to announce that the Company's subsidiary, Sichuan Mianzhu Norwest Phosphate Co., Ltd ("**Seller**") has entered into a sale and purchase agreement ("**SPA**") with Sichuan Mianzhu Huaxinfeng Food Co.,Ltd ("**Buyer**") on 29 November 2021 in connection with the proposed disposal of the Phase 2 Factory Assets (as defined below) located at Xiangliu Village, Gongxing Town, Mianzhu City, Sichuan Province, PRC (the "**Proposed Disposal**").

2. THE PROPOSED DISPOSAL

2.1 <u>Description of the Assets to be disposed ("Phase 2 Factory Assets")</u>

The Phase 2 Factory Assets disposal comprises a Sodium Tripolyphosphate (STPP) Chemical Production Plant, Storage/ Office Building and ancillary Facilities, and a land use right (with effect from January 2015 to 2065, i.e. approximately 50-years right of use) measuring of approximately 92,425 square metres.

The Phase 2 Factory Assets has been rented out to Lianyungang Zexin Food Ingredients Co., Ltd ("**Zexin**") since May 2019 with a base rent of RMB1 million per year (please refer to the Company's announcements dated 11 April 2019 and 28 November 2019 for details on the rental and cooperation agreement with Zexin), The net book value of the Phase 2 Factory Assets is approximately RMB30.55 million as at 30 September 2021 (or approximately S$6.55 million based on the exchange rate of S$1: RMB4.66 as at 28 November 2021).

The net profit attributable to the Phase 2 Factory Assets (being the rental income less depreciation) amounted to approximately S$26 thousand, S$88 thousand, and S$30 thousand for the financial year ended 31 December 2019, the financial year ended 31 December 2020, and the financial period 9 months ended 30 September 2021, respectively.

The Company has engaged Zhong Ming (Beijing) Assets Appraisal International Co. Ltd, (中铭国际资产评估（北京）有限责任公司), an independent valuer to provide the market value of the Phase 2 Factory Assets for purpose of initial discussion and negotiation for the Proposed Disposal. The independent valuer, has provided an indicative market value of RMB35.73 million as at 31 July 2020 for the Phase 2 Factory Assets. The said indicative market value was derived from the cost method. The independent valuer is licenced by the Ministry of Finance (People's Republic of China) to undertake valuation services and has completed several such valuations for listed companies.

The Board confirmed that the valuation report has been prepared in accordance with the relevant local standards for real property prescribed by a recognised professional body or relevant authority in the PRC.

The Phase 2 Factory Assets are special purpose assets hence the Board is of the view that its market value may not change significantly between the valuation date and the date of execution of SPA. In addition, the Board considered offers from other potential buyers as indication of the market value and that the Proposed Disposal is the best concrete offer available to the Company.

2.2 Information on the Buyer

The Buyer is a new company to be formed by our existing tenant, Zexin which has been renting the Phase 2 factory since May 2019.

Zexin's shareholders are Zhangjiaguo (30%)； Luhefa (30%)； Zhanglinqiu (25.4%)； Mengshuqqiu (5.4%)；Tangtao (4.6%) and Zhuxinpei (4.6%); Zexin's executive director is Luhefa.

Save for the rental and cooperation agreement between the Company and Zexin, there is no relationship (including financial and business connections) between the Buyer, Zexin, their directors and shareholders with the Company, the Company's directors and substantial shareholders.

2.3 Consideration

The total consideration is RMB31.5 million (or approximately S$6.75 million based on the exchange rate S$1: RMB4.66 as at 28 November 2021) in cash ("**Consideration**") and payable in instalments by the Buyer within one year from 29 November 2021, being the date of the execution of the SPA for the Proposed Disposal.

Pursuant to the SPA, the payment of the Consideration shall be split into the following instalments:-

(a) The Buyer shall pay 5% of the Consideration (or RMB1,575,000) within 7 working days after the execution of the SPA.

(b) The Buyer shall pay 60% of the Consideration (or RMB18,900,000) within 14 working days from the date of approval obtained from the Board and, where applicable the SGX-ST.

(c) The Buyer shall pay the remaining balance of Consideration within one year with an interest of 8% per annum (simple interest).

On 18 November, the Buyer has paid the 5% of the Consideration (or RMB1,575,000) as good faith deposit.

In arriving at the Consideration, the Directors have considered, inter alia, the net book value of the Phase 2 Factory Assets and the minimal loss on disposal arising from the Proposed Disposal, the fact that the Phase 2 Factory Assets are special purpose assets and the interest to acquire them will only be from a small group of players within the same industry, comparison with offers obtained from other interested buyers.

Pursuant to the SPA, taxes (including value-added tax) and fees arising from the transfer of Phase 2 Factory Assets and the transfer of ownership shall be 70% borne by the Buyer and 30% borne by the Seller.

The net proceeds (being the Consideration less taxes and fees arising from the Proposed Disposal borne by the Seller) ("**Net Proceeds**") is estimated to be RMB30.49 million (or approximately S$6.54 million).

2.4 Loss on disposal

The net book value of the Phase 2 Factory Assets is approximately RMB30.55 million as at 30 September 2021 (or approximately S$6.55 million). As such, the Group is expected to recognize a loss arising from the Proposed Disposal of approximately RMB62 thousand or approximately S$13 thousand (after taking into account any expenses or taxes related to the Proposed Disposal). The parties have agreed to co-share the relevant taxes and fees, with an agreed ratio/split of 30% to be borne by the Seller / 70% to be borne by the Buyer.

2.5 Use of Net Proceeds

The Company intends to utilise approximately RMB2.05 million of the Net Proceeds of RMB30.5 million from the Proposed Disposal 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). Pending deployment of the proceeds from the Proposed Disposal for such purposes, the proceeds may be placed in deposits with banks or financial institutions as the Directors may, in their absolute discretion, deem fit.

2.6 Conditions precedent

The terms of the Proposed Disposal are subject to the execution of the definitive legal agreement and after both parties' signatures and approval by the board of directors of the Company, general meeting of shareholders (if necessary) and approval from the Singapore Exchange Securities Trading Limited ("**SGX**") as well as such other requirements of the SGX.

The land use right of the Phase 2 Factory Assets has been pledged to SPD Rural Bank for bank facilities granted to the Group. Pursuant to the SPA, the Seller will arrange cancellation of mortgage with SPD prior to the delivery/transfer of Phase 2 Factory Assets to the Buyer and such mortgage will be cancelled within 20 working days after the full Consideration has been paid.

Save as disclosed above, there are no other material terms and conditions attaching to the Proposed Disposal.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Phase 2 Factory Assets which is the subject of the Proposed Disposal has been rented out to a third party, 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 (restoring the Group's financial position and transforming the Company into a more suitable listing platform for new assets) and in the context of the Group's current weak financial position.

Following the completion of the Proposed Disposal and the partial repayment of approximately RMB2.05 million of the outstanding loan from Bohai Bank, 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 9.1% 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).

4. FINANCIAL EFFECTS

The financial effects of the Proposed Disposal on the NTA per share and earning/(loss) per share ("EPS") of the Group, prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 ("**FY2020**") are set up below. The financial effects should not be taken as an indication of the actual financial performance or position of the Group following the Proposed Disposal nor a projection of the future financial performance or position of the Group after the completion.

NTA

Assuming the Proposed Disposal had been completed on 31 December 2020, being the end of the most recently completed financial year of the Group, the financial effects on the NTA per share of the Group would be as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA (S$'000)	74,242	74,229[(1)]
Number of Ordinary Shares	1,031,524,685	1,031,524,685
NTA per share (S$ cents)	7.20	7.20

Note:
(1) The computation of NTA after the Proposed Disposal has taken into account the taxes and fees related to the Proposed Disposal.

Earning/(loss) Per Share

Assuming the Proposed Disposal had been completed on 1 January 2020, the loss attributed to the ordinary shareholders of the Company and the financial effects on the EPS of the Group for the FY2020 would be as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
Net loss after tax (S$'000)	(2,765)	(2,784) [(1)]
Number of Ordinary Shares	1,031,524,685	1,031,524,685
Loss per share (S$ cents)	(0.268)	(0.270)

Note:
(1) The proforma financial effects are determined after taking into account the loss on disposal as at 1 January 2020 and based on the assumptions of depreciation, expenses, and property related tax.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

Based on the latest announced unaudited consolidated financial statements of the Group for the financial period nine months ended 30 September 2021 ("**9M2021**"), the relative figures for the Proposed Disposal computed on the bases set out in Rules 1006 (a) to (e) of the Catalist Rules are as follows:

Rule 1006 of the Catalist Rules	**Bases**	**Relative Figures**
1006 (a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	8.66%[(1)]
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	0.91% [(2)]
1006 (c)	Aggregate value of the consideration given or	50.36%[(3)]

	received, compared with the issuer's market capitalisation, based on the total number of issued shares excluding treasury shares	
1006 (d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006 (e)	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	Not applicable

Note:

(1) Based on the net asset value of the Phase 2 Factory Assets of approximately RMB30.55 million as at 30 September 2021 (or approximately S$6.55 million) over the net assets value of the Group of approximately S$75.66 million as at 30 September 2021. In the event the market value of the Phase 2 Factory Assets of approximately RMB35.73 million (or approximately S$7.66 million) is used instead of net asset value as at 30 September 2021, the relative figure under Rule 1006(a) will be 10.13%.

(2) The net profit means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. The Group recorded a loss (including discontinued operations) before income tax and non-controlling interest of approximately S$3.3 million for 9M2021 and the pre-tax profit attributable to the Phase 2 Factory Assets (being rental income less depreciation) are approximately S$30 thousand for 9M2021. The loss on disposal arising from the Proposed Disposal is approximately S$13 thousand. The ratio above is computed pursuant to Practice Note 10A paragraph 4.4 (d)(ii) of the Catalist Rules, being the sum of pre-tax profit attributable to the Phase 2 Factory Assets and the loss on disposal over the Group's loss (including discontinued operations) before income tax and non-controlling interest (in each case taking into account only the absolute value).

(3) Computed based on the Consideration of approximately RMB31.5 million (or approximately S$6.75 million based on the exchange rate S$1: RMB4.66 as at 28 November 2021) and the market capitalisation of the Group of approximately S$13.4 million as at 23 November 2021, being the last trading day for the Company's shares ("Shares") preceding 29 November 2021, being the date of the execution of the SPA The Group's market capitalisation is computed based on the number of issued Shares of 1,031,524,685 (excluding treasury Shares) and the weighted average price of approximately S$0.013 per Share on 23 November 2021, being the weighted average price for the Shares on the last trading day preceding the date of execution of the SPA. In the event the additional liabilities to be assumed by the Buyer (being 70% of fees and taxes related to the Proposed Disposal) is included in the computation of aggregate consideration, the relative figure under Rule 1006(c) will be 54.12%.

As the relative figures under Rule1006(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.

Pursuant to Practice Note 10A, paragraph 7.3 (b) of the Catalist Rules, the SGX-ST may grant the waiver for the shareholders' approval if a proposed disposal involves a non-core assets. The Board is of the view that 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). The Proposed Disposal will not affect the nature of the Group's current principal business activity, which is mainly trading of phosphate based chemical products.

Accordingly, the Company will be applying to the SGX-ST for a waiver to hold an extraordinary general meeting to seek Shareholders' approval for the Proposed Disposal. The Company will provide updates to Shareholders, where applicable, in due course. In the event that the Waiver is obtained, the Proposed Disposal will not be subjected to Shareholders' approval.

6. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their respective interests in the Shares of the Company (as the case may be) and as disclosed herein, none of the Directors, controlling shareholders or their associates have any interest, direct or indirect in the Proposed Disposal.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company 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 of the Proposed 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.

8. DIRECTORS' SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DOCUMENTS FOR INSPECTION

Copies of the SPA and the Valuation Report will be made available for inspection during normal business hours at the Company's registered office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623), and/or the company's principal place of business at 22 Kallang Avenue #03-02 Hong Aik Industrial Building, Singapore 339413 for a period of three (3) months from the date of this announcement.

10. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares and should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Dr. Ong Hian Eng
Executive Director
AsiaPhos Limited

29 November 2021

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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.*

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