

RESPONSE TO SGX-ST QUERIES ON THE ANNOUNCEMENT OF UNAUDITED RESULTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2021

1. INTRODUCTION

The board of directors (the “**Board**”, and each director, a “**Director**”) of AsiaPhos Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 2 March 2022 in connection with the Company’s unaudited results for financial year ended 31 December 2021 (“**FY2021**”).

The Board wishes to inform the Company’s shareholders that the Company has received queries from SGX-ST on 20 March 2022 and is providing its responses to those queries in this announcement.

2. THE QUERIES AND THE COMPANY’S RESPONSES

Query 1

“We refer to AsiaPhos Limited’s announcement of its full yearly results ended 31 Dec 2021 on 02 March 2022. Please find our queries below.

1. The Group recorded S\$8 million in other payables as at 31 Dec 2021, which is approximately 45.3% of the Group’s total current liabilities. It was stated in the accompanying notes to accounts that the increase in other payables was mainly due to “receipt of RMB20 million, 65% of consideration relating to the disposal of Phase 2 plant and general and administrative expenses incurred in 4Q2021”.

Please provide:

- (i) Breakdown and nature of the other payables; and
- (ii) Explain why the receipt of consideration for disposal would result in an increase in other payables.

Company’s Response

(i) As at 31 December 2021, the breakdown of other payables is as follows:-

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Taxes other than income tax	1,771
Payroll and welfare payable	53
Advance received*	4,390
Suppliers of property, plant and equipment	231
Other payables	889
Accrued liabilities	664
Total	<u>7,998</u>

The advance received relates to the partial purchase consideration of RMB20.48 million or approximately \$4.39 million received in connection with the proposed disposal of the phase 2 Factory Assets during the year ended 31 December 2021.

(ii) As the disposal process of Phase 2 Factory Assets has not yet been formally completed, the Company is required to recognise a liability relating to the consideration proceeds received to-date.

As disclosed in the Group's announcement dated 29 November 2021, the Company's subsidiary, Sichuan Mianzhu Norwest Phosphate Co., Ltd ("Mianzhu Norwest") has entered into a sale and purchase agreement ("SPA") with Sichuan Mianzhu Huaxinfeng Food Co.,Ltd ("Mianzhu Huaxinfeng ") on 29 November 2021 in connection with the proposed disposal of the Phase 2 Factory Assets located at Xiangliu Village, Gongxing Town, Mianzhu City, Sichuan Province, PRC (the "Proposed Disposal") of RMB31.50 million. As at the date of the 31 December 2021 year-end balance sheet, RMB 20.48 million (i.e. approximately S\$4.39 million) of the purchase consideration has been received.

Pursuant to the SPA (signed on 29 November 2021), the Buyer shall pay the remaining balance of Consideration within one year i.e. by 28 November 2022.

Query 2

2. As at 31 Dec 2021, the Group incurred net loss of S\$77.9m; net cash used in operating activities of S\$3m; and negative working capital.

Please disclose:

- (i) Board's assessment on the Group's ability to operate as a going concern, including its bases of assessment;
- (ii) Board's confirmation on whether the Company is able to continue trading and whether sufficient information has been disclosed to ensure fair and orderly trading.

Company's Response

(i) The Board's assessment on the Group's ability to operate as a going concern has been disclosed on page 13 of the results announcement FY2021.

The Board has taken into consideration the Group's plans (inter alia internal estimates of the value of P4 plant as well as forward numbers) and confirm that the Group will be able to operate as a going concern. The basis of the Board's opinion is as follows:

(a) The Group is able to generate cash flows from its downstream chemical segments through trading of chemical products like Sodium Tripolyphosphate ("STPP"), Sodium Hexametaphosphate as well as other polyphosphate chemicals and achieve reduction in cash outlays and overheads due to downsized operations.

(b) The Board confirmed that it is not aware of any information which may suggest that Mianzhu Huaxinfeng (the purchaser of the Phase 2 Factory Assets) will not complete the transaction or will not pay the balance of the purchase consideration by 4Q2022. In the worst-case scenario, the Group is entitled to keep and need not refund 65% of the purchase consideration received in the event of termination by Mianzhu Huaxinfeng. In addition, the

Board believes that the Group will be able to sell the Phase 2 Factory Assets to alternative buyer with reasonable purchase consideration is the event of termination by Mianzhu Huaxinfeng.

The Group has received offers for the sale, lease or a joint venture on its P4 production facilities and it is evaluating these proposals. The current high prices for P4 makes it favourable for an agreement to be reached.

(c) If required, discussions will be carried out by the Group with financial institutions to rollover its existing loans as and when they fall due. As the Group has in the past not defaulted on any of the loans extended to it, barring unforeseen circumstances, the Directors expect that the Group will be able to obtain requisite financing (or obtain further extension/rollover of loan maturity) for the Group's operations. The Company's subsidiaries, Mianzhu Norwest and Deyang Fengtai Mining Company Limited ("Fengtai"), have managed to extend the maturity of the bank loans for another 12 months as announced on 24 December 2021 and 10 January 2022.

In addition, the cash resources of the Group will be augmented by the support of its majority shareholders and also, as disclosed in our announcement on the termination of the acquisition of MMJV on 7 April 2021, the Group will continue to source for other corporate, business, acquisition and financing opportunities as and when available and appropriate to enhance shareholders' value.

(d) The Company is in discussion for potential placement of new shares, which is subject to inter alia the disposal of the P4 plant and the spin-off of Mianzhu Norwest. The Company understands that the investors are still keen on the placement despite the delays and the funds has been set aside in escrow.

(e) The Company confirms that its majority shareholders (being Dr Ong Hian Eng and Astute Ventures Pte Ltd) will provide undertaking that they will not demand for repayment of the loans provided by them and will continue to provide the necessary financial support as and when required in order to ensure the Group's ability to continue as a going concern.

(ii) Based on the above, the Directors of the Company confirm its views that the Group is able to continue to operate as a going concern and has sufficient working capital for the next twelve months. In addition, the Directors of the Company confirm that the Company is able to continue trading and that sufficient information has been disclosed to ensure fair and orderly trading.

Query 3

3. The Group recorded S\$90m of impairment loss on assets of disposal group as at 31 Dec 2021. It is also disclosed on page 18 that the Group is in the investment dispute with the Chinese Government and it looks increasingly unlikely that the dispute will be settled amicably. Accordingly, the Group has then recorded an impairment loss of S\$90 million on the mining assets that was presented as asset of disposal group.

Please provide details on the following:

- (i) Updates on the dispute with the Chinese Government;
- (ii) Whether there are any material information that should be brought to the attention of the shareholders;
- (iii) How the amount of impairment was determined and whether this has been reviewed by the Company's auditors?;
- (iv) The Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment."

Company's Response

(i) As disclosed in our announcement on 2 March 2022, the arbitration is in progress and the Group is required to observe confidentiality over the proceedings. The Company's lawyers have advised that information relating to the pending arbitration and negotiations with the Government are confidential.

(ii) There is no material development in the arbitration or negotiations with the Chinese Government that requires a public announcement at this stage. The Group is mindful of its obligation under the Catalist Listing Rules and will make announcements on SGXnet as and when required.

(iii) The impairment was determined based on the Board's assessment of the recoverable value of the investment in mining assets taking into account the chances of reaching an amicable settlement with the Chinese Government. Any recovery of the investment is dependent on a successful claim in the international arbitration and the final award by the arbitral tribunal. Accordingly, the Board has reassessed the Group's position and recognised impairment on the full amount of the carrying value of the mining assets and written back the related deferred tax liabilities. The auditors have reviewed the impairment recognised by the Group but the Company understands that they may still issue an audit disclaimer as there is no certainty as to the outcome of the arbitration, the expected date of completion of arbitration or the amount of loss, if any.

(iv) The Board confirms that it is satisfied with the reasonableness of the methodologies used to determine the amount of the impairment.

BY ORDER OF THE BOARD

Dr. Ong Hian Eng
Executive Director
AsiaPhos Limited

24 March 2022

*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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