

SIAS Q & A to Asiaphos Limited received on 27 April 2019

Q1. As noted in the message to shareholders, the group's mining operations at mines 1 and 2 and the Feng Tai mine were interrupted following a directive from the local government. The group has engaged an international law firm with extensive experience in international arbitration to safeguard its interest.

On the balance sheet, the mine properties, mining related property, plant and equipment and goodwill have been reclassified as asset held for sale (Note 9 – page 91). The group has taken an impairment loss on the P4 plant.

(i) Can the board confirm that all mining activities have been suspended?

Answer:- The Board confirms that the Group has suspended all mining activities.

(ii) What is the staff strength left after the downsizing?

Answer:- As at 31 March 2019, the staff strength remaining after the downsizing was 28.

(iii) Who is leading the evaluation of shifting the P4 plant outside of Singapore?

Answer:- Our Chief Executive officer, Dr Ong Hian Eng.

(iv) Would the board consider it timely to explore a diversification to a new business (outside of Sichuan/phosphate)?

Answer:- Yes. Several alternatives are being explored but they are still in the preliminary stages.

Q2. The company has also stated that it had made a provision for doubtful debt receivable from a state-owned enterprise which failed to pay for the rocks that it purchased.

(i) What was the reason the state-owned enterprise failed to pay up for the rocks?

Answer:- The state-owned enterprise also had to stop mining operations due to the directive by the local government.

(ii) Is it a first-time customer?

Answer:- No

(iii) In the consolidated statement of cash flows, the provision for doubtful debts amounted to \$1.195 million. Is this sum the amount owed by the state-owned enterprise?

Answer:- Yes

(iv) How is the group going to enforce its rights?

Answer:- Please refer to our announcements dated 30 November 2018 and 1 March 2019. The amount has not been disputed by the customer and it has promised to pay when it has cash flows when it resumes mining operations (which it seems it will be allowed to by the local government, contrary to Asiaphos and other mining companies). Management is in regular contact with the customer to monitor the status of its resumption of operations and will be in consultation with its legal counsel in China to explore the next best course of action.

Q3. The board comprises seven directors, with three independent directors. The group has escalated negotiations on the disposal from the Sichuan Provincial Government to Ministry of Commerce of the Chinese Government (“MOFCOM”).

(i) Does the board have any director with experience in arbitration or in dealing with PRC government/legal system?

Answer:- None of the directors have any direct experience in dealing with investment dispute with the PRC Government. However, the Board and Management have access to leading law firms in Singapore, USA and PRC. Furthermore, King & Spalding LLP, an international law firm with extensive experience in international arbitration involving investment treaties and investor-state disputes, will be advising on the arbitration matter. As Asiaphos went through the IPO process which involved Chinese law issues and the fact that the business has been operating since 1996 and successfully rebuilt the business after the 2008 Wenchuan earthquake, we would consider that the executive directors have experience in dealing with the PRC Government.

(ii) How much legal fees has been provided for?

Answer:- No fees have been provided for as arbitration has not started. Legal fees for legal advice and the settlement negotiations are paid as and when bills are received.

(iii) What is the involvement by the board members, including the independent directors, to help the company resolve this issue as quickly as possible.

Answer:- The board members give suggestion and inputs to the Executive Directors and Management on a regular basis. The two executive directors are involved in the negotiations with the Government.