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A. DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

B. BOARD'S RESPONSE TO MATTERS BROUGHT UP BY INDEPENDENT AUDITOR

A. DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Pursuant to Rule 704(4) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist, the board of directors (the "**Board**") of AsiaPhos Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Messrs Foo Kon Tan LLP (the "**Independent Auditor**" or "**Auditors**"), has issued a disclaimer opinion in relation to the following in its independent auditor's report dated 4 April 2024 ("**Independent Auditor's Report**") for the financial statements of the Group ("**Financial Statements**") for the financial year ended 31 December 2023 ("**FY2023**") The basis for the disclaimer of opinion is set out below:

(1) Going concern

The Group reported a net loss after tax of $4,169,000 from continuing operations, and a net profit after tax of $6,242,000 from discontinued operations for the financial year ended 31 December 2023. Excluding reversal of impairment loss of property, plant and equipment of $4,092,000 (Note 4, Note 30.2), reversal of deferred tax liabilities of $1,292,000 (Note 20, Note 31) related to the Elemental phosphorus ("P4") plant, and rental income of $1,063,000 (Note 15, Note 30.2) from a 1-year lease term from March 2023 as part of the arrangement related to the disposal of the P4 Plant Assets (Note 15), the Group would have reported a net loss after tax from discontinued operations of $205,000 for the financial year ended 31 December 2023.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2(a) Going concern to the financial statements. The assumptions are premised on future events the outcomes of which are inherently uncertain. Based on the information available to them, they have not been able to obtain sufficient audit evidence to satisfy themselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

If the Group and the Company are unable to continue as a going concern, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements.

(2) Assets and liabilities of disposal group (Note 15)

In 2018, Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd ("Sichuan Mianzhu") ceased production at the P4 Plant as a result of the Chinese government's actions.

Pursuant to a Cooperation Agreement dated 20 March 2023, and subsequent supplemental agreements (collectively hereinafter referred to as the "Cooperation Agreement") entered into with Sichuan Rongda Yuexiang Chemical Group Co., Ltd. ("Rongda"), Sichuan Mianzhu shall transfer to Rongda property, plant and equipment and land use rights (the "P4 Plant Assets"), via a newly set-up subsidiary of the Group, Sichuan Rongdafeng Chemical Co. Ltd. ("Rongdafeng"), for a cash consideration of RMB71.39 million, inclusive of RMB8 million in respect of a 12-month lease of the P4 Plant Assets to Rongda from March 2023, RMB4 million of rental deposit which is non-refundable if Sichuan Mianzhu is not in breach of the Cooperation Agreement, and RMB20 million for repayment of Sichuan Mianzhu's bank loan which is secured by the P4 Plant Assets.

Sichuan Mianzhu shall transfer the P4 Plant Assets to Rongdafeng and subsequently dispose of its entire equity interest in Rongdafeng to Rongda. As part of the arrangement, Rongdafeng, as a subsidiary of Rongda, shall assume trade and other payables of RMB14.61 million relating to the P4 Plant Assets. Accordingly, the P4 Plant Assets and P4 Plant Liabilities were reclassified to "Disposal Group" in the Group's consolidated balance sheet in March 2023.

In accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* ("SFRS(I) 5") non-current assets and disposal groups classified as held for disposal are measured at the lower of their carrying amount and fair value less costs of disposal.

In prior years, an impairment loss of $7,394,000 was recognised on property, plant and equipment of the P4 Plant. The Group recognised a reversal of impairment loss of $4,092,000, based on the adjusted proceeds from the proposed P4 Plant disposal, prior to reclassification of the property, plant and equipment to Disposal Group during the current financial year ended 31 December 2023.

The Group did not assess fair value less costs of disposal of property, plant and equipment, and land use rights of the P4 Plant Assets at the point of reclassification of these assets to Disposal Group. This is not in compliance with SFRS(I) 5.

Based on the information available to them, they were unable to obtain sufficient appropriate audit evidence to determine the carrying values of the property, plant and equipment, and land use rights of the P4 Plant Assets included in "Assets of disposal group" in the Group's consolidated balance sheet as at 31 December 2023. They were also unable to obtain sufficient appropriate audit evidence on whether the reversal of impairment loss of $4,092,000 for the year ended 31 December 2023 was appropriately stated.

In prior years, the Group recorded a deferred tax liability in respect of the differences between accounting depreciation and tax depreciation related to the P4 Plant Assets. Depreciation of the P4 Plant Assets and recognition of the effect of deferred tax thereon ceased following the Group's suspension of the use of the P4 Plant in 2018.

During the current financial year ended 31 December 2023, the Group reversed deferred tax liabilities of $1,292,000 related to the P4 Plant Assets to profit or loss following reclassification of the P4 Plant Assets to "Disposal Group" (Note 15). Accordingly, net profit after tax from discontinued operations was overstated by $1,292,000 and net profit after tax for the year was overstated by $1,292,000 for the year ended 31 December 2023, accumulated losses as at 31 December 2023 was understated by $1,292,000, and deficit in shareholder's funds as at 31 December 2023 was understated by $1,292,000.

(3) **Recoverable amount of property, plant and equipment (Note 4), right-of-use assets (Note 5), and investment in subsidiaries (Note 9)**

(3.1) Mining Assets Group

In November 2017, the assets (the "Mining related Assets") and directly associated liabilities (the "Mining related Liabilities") of Mine 1 and Mine 2 ("Mine 1" and "Mine 2") of Sichuan Mianzhu and the mine of Deyang Fengtai Mining Co., Ltd. ("Fengtai Mine") (collectively, the "Mining Assets Group") were reclassified as assets and liabilities of disposal group in the Group's consolidated balance sheet as a result of the Chinese Government's request for the Group's evacuation and rehabilitation of its mining site in respect of Mine 2 and the Fengtai mine, and the non-renewal of the Mine 1 mining license.

In 2020, the Group commenced arbitration at the International Arbitration Tribunal (the "Tribunal") seeking compensation from the Chinese Government.

In 2021, the directors were of the view that an amicable settlement with the Chinese Government was unlikely. Consequently, the Group recognised an impairment loss on the entire carrying value of the Mining related Assets of $90,066,000 (Note 15) and reversed the associated deferred tax liabilities of $16,383,000 during the year ended 31 December 2021.

As at 31 December 2022, the disposal of the Mining Assets Group had not been completed. Accordingly, the directors were of the view that it was appropriate for the Group to continue to present all Mining related Assets and Mining related Liabilities as "assets of disposal group" and "liabilities of disposal group", respectively, on the Group's consolidated balance sheet as at 31 December 2022.

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As at 31 December 2022, the Mining related Assets comprised mine properties, mining related property, plant and equipment, goodwill and deposits for rehabilitation and mining levy with an aggregate carrying value of $nil (Note 15); and Mining related Liabilities related to provision for rehabilitation of mines of $764,000 (Note 15).

Their opinion on the financial statements for the prior financial year ended 31 December 2022 was modified in respect of the inappropriateness of the classification of the Mining related Assets and Mining related Liabilities as assets and liabilities of disposal group, and the carrying values of the Mining related Assets and Mining related Liabilities as presented in assets and liabilities of disposal group as at 31 December 2022.

In February 2023, the Tribunal issued a ruling in favour of the Chinese Government ordering the Group to reimburse the latter the sums of USD280,000 (jurisdictional award) and RMB6,350,000 in legal costs related to the arbitration. Consequently, the Group reclassified the Mining related Assets and Mining related Liabilities from "Assets of disposal group" and "Liabilities of disposal group" to the respective captions in the Group's consolidated balance sheet.

Non-financial assets reclassified from "Assets of disposal group" to "Property, plant and equipment" comprised mine properties, and mining related property, plant and equipment (the "Property, plant and equipment – Mining Assets") (Note 15) which had carrying value of $nil individually.

The Group did not assess the recoverable amount of "Property, plant and equipment – Mining Assets" as at 31 December 2023 in accordance with SFRS(I) 1-36 *Impairment of Assets*.

They were unable to determine whether any adjustment to the carrying value of "Property, plant and equipment – Mining Assets" as at 31 December 2023 was necessary. They were also unable to obtain sufficient appropriate evidence on whether the associated deferred tax liabilities of "Property, plant and equipment – Mining Assets" was appropriately stated. Any adjustment necessary to the carrying values of "Property, plant and equipment – Mining Assets" and deferred tax liabilities as at 31 December 2023 would have a consequential effect on profit or loss for the year ended 31 December 2023, and accumulated losses and total equity as at 31 December 2023.

(3.2) Right-of-use assets

The Group did not assess the recoverable amount of right-of-use assets as at 31 December 2023 in accordance with SFRS(I) *1-36 Impairment of Assets*.

They were unable to determine whether any adjustment to the carrying value of right-of-use assets as at 31 December 2023 was necessary. Any adjustment necessary to the carrying value of right-of-use assets as at 31 December 2023 would have a consequential effect on profit or loss for the year ended 31 December 2023, and accumulated losses and total equity as at 31 December 2023.

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(3.3) P4 Plant Assets

As at 31 December 2022, the directors were of the view that the carrying values of property, plant and equipment of $8.950 million (Note 4) and right-of-use assets of $1.295 million (Note 5) related to the P4 Plant Assets were sufficiently supported by proceeds from the proposed disposal of the P4 Plant Assets (Note 15) based on an agreement dated 20 March 2023 and supplemental agreement dated 22 March 2023 entered into with Rongda. This is not in compliance with SFRS(I) *1-36 Impairment of Assets*.

In the absence of a management's assessment of the recoverable amount at the reporting date, they were unable to determine whether any adjustment to the carrying amount of the P4 Plant Assets as at 31 December 2022 was necessary. Consequently, their opinion on the financial statements for the prior financial year ended 31 December 2022 was modified accordingly.

(3.4) Investment in subsidiaries

During the current financial year ended 31 December 2023, the Company recognised an impairment loss of $9,400,000 on investment in subsidiaries based on adjusted net assets of the subsidiaries. Management did not determine the recoverable amount of investment in subsidiaries, which is the higher of value-in-use and fair value less costs of disposal as at 31 December 2023 and 2022.

In the absence of a management's assessment of the recoverable amount at the reporting date, they were unable to determine whether any adjustment to the carrying amount of investment in subsidiaries as at 31 December 2023 and 2022 was necessary. Any adjustment necessary to the carrying amount of investment in subsidiaries as at 31 December 2023 and 2022 would have a consequential effect on accumulated losses and total equity as at 31 December 2023 and 2022.

(4) Trade and other payables (Note 23)

As at 31 December 2022, "Accrued liabilities" presented within "Trade and other payables" included an amount of $156,000 which was not supported by evidence that underlying services had been received by the Group. As they were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the existence, completeness, accuracy, rights and obligations in respect of the liabilities as at 31 December 2022 and the profit or loss for the year ended 31 December 2022, their opinion on the financial statements for the prior financial year ended 31 December 2022 was modified accordingly.

During the financial year ended 31 December 2023, management was of the view that the accrual amount was not required and reversed the $156,000 to profit or loss. Accordingly, net loss after tax from continuing operations was understated by $156,000 and net profit after tax was overstated by $156,000 for the year ended 31 December

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2023, accumulated losses as at 31 December 2023 was understated by $156,000, and deficit in shareholder's funds as at 31 December 2023 was understated by $156,000.

Report on Other Legal and Regulatory Requirements

In their opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of their report, they do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which they are the auditors have been properly kept in accordance with the provisions of the Act.

A copy of the Independent Auditor's Report and relevant note to the financial statement is annexed to this announcement for shareholders' reference.

The Independent Auditor's Report and a complete set of the Financial Statements will also be found in the Company's annual report for FY2023, which will be despatched to shareholders in due course.

B. BOARD'S VIEW OF MATTERS BROUGHT UP BY INDEPENDENT AUDITOR

The Board wishes to set out the following in relation to the matters brought up by the auditors for FY2023:

(i) Going concern

Having considered the entirety of the facts set out below, the Board is of the opinion that the Company and the Group are able to continue as a going concern. The basis of the Board's opinion is as follows:

- The Group continues to generate cash flows from its trading activities comprising phosphate chemical products and commodity products.
- Proceeds from the proposed disposal of the P4 Plant Assets to fund its operations.

In 2023, the Group, via Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd ("Sichuan Mianzhu"), has entered into a Cooperation Agreement and subsequent supplemental agreements (collectively hereinafter referred to as the "Cooperation Agreement") with Sichuan Rongda Yuexiang Chemical Group Co., Ltd. ("Rongda") for a cash consideration of RMB71.39 million. The cash consideration is inclusive of RMB8 million in respect of a 12-month lease of the P4 Plant Assets to Rongda from March 2023 (the "rental"), RMB4 million of rental deposit (the "rental deposit") and RMB20 million for repayment of Sichuan Mianzhu's bank loan (the "Bank Loan") which is secured by the P4 Plant Assets. The rental and rental deposit are non-refundable if Sichuan Mianzhu is not in breach of the Cooperation Agreement. Sichuan Mianzhu shall transfer the P4 Plant Assets to Rongdafeng and subsequently dispose of its entire equity interest in Rongdafeng to Rongda. As part of the arrangement, Rongdafeng, as a subsidiary of Rongda, shall assume trade and other payables relating to the P4 Plant Assets of RMB14.61 million (the "RMB14.61 million Liability"). As at 31 December 2023, the Group had received RMB12 million in respect of the rental and rental deposit.

In January 2024, the Group received an additional RMB20 million from Rongda and utilised a portion of the sum to repay the Bank Loan of $3,367,000 (RMB18 million) as at 31 December 2023.

In February 2024, Rongda paid the remaining balance of the sale proceeds of RMB39.39 million into an escrow account pursuant to a Supplementary Cooperation Agreement II dated 29 January 2024.

In March 2024, the asset transfer had been completed. The amount in the escrow account shall be released to the Group upon completion of the transfer of, inter alia, the RMB14.61 million Liability, personnel of Sichuan Mianzhu, to Rongdafeng.

The transaction with Rongda will provide new cash funding for the Group and reduces the risks of going concern.

- Support from the Group's controlling shareholders.

The Group's controlling shareholders have provided undertakings that they will not demand repayment of the loans due from the Group and will continue to provide financial support to ensure that the Group is able to operate as a going concern for at least twelve months from the date of issue of the financial statements for FY2023. This is subject to the condition that the controlling shareholders'(and their respective connected parties as disclosed in the Company's announcement dated 28 Mar 2024) aggregate shareholding continuing to remain above 50%.

Accordingly, the Board is of the view that the Group will be able to continue to operate as a going concern as it had been in the past years with the undertaking and financial support of the controlling shareholders.

- Diversification and proposed fundraising exercise

As announced on 9 October 2023, a subsidiary of the Company, AP New Energy Pte. Ltd. ("APNE"), had entered into a term sheet in respect of the proposed acquisition of the entire issued and paid-up share capital of Global Resources SP (Taiwan) Co. Ltd. ("GRTW"). The proposed acquisition will enable the Group to diversify from its current phosphate mining and processing business and expand into the renewable energy sector. The Board is of the view that the strategic expansion is likely to bring long-term, sustainable growth to the Group, hence enhancing shareholder value. The proposed acquisition will be funded by a fundraising exercise.

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- Fund raising exercise

The Group will explore other fund raising exercise as and when required. The Group has announced on 28 March 2024 a rights issue of shares for up to S$2.4million in net proceeds under the maximum scenario as defined therein.

The Company is undertaking the Rights Issue with the objectives of: (i) augmenting and strengthening the Group's equity base, which had been eroded from past losses; and (ii) minimizing or "conserving" cash outflows needed for the repayment of the outstanding OHE Loans and AV Loans (as defined therein). Any additional proceeds raised from the Rights Issue in excess of the Offsetting arrangements will further strengthen the Group's financial position and augment its existing cash balances and expected proceeds from the completion of the P4 plants (as announced) whilst raising further cash and working capital for the Group's existing operations and organic or inorganic expansion in the future.

Furthermore, as at the date of this announcement the Board is not aware of any demand, claims or liabilities against or of the Group that it is not in a position to settle. The Group has not in the past defaulted on any of its bank loans. Barring unforeseen circumstances, the Board expects that the Group will be able to obtain requisite financing for its operations, where necessary.

Based on the aforementioned, the Board believes 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 Board confirms that the shares of the Company are able to continue trading and that sufficient information has been disclosed to ensure fair and orderly trading.

(ii) **<u>Assets and liability of disposal group</u>**

The auditors are referring to the property, plant and equipment and land use rights of the P4 Plant and land use rights ("P4 Plant Assets") that has been contracted with Rongda. According to the auditors, the Group did not assess fair value less costs of disposal of the plant and equipment, and land use rights of the P4 Plant Assets at the point of reclassification of these assets to Disposal Group and asserted that this is not in compliance with SFRS(I) 5.

Contrary to the assertion by the auditors, the Group did carry out the assessment of the carrying value of P4 Plant Assets to ensure that it does not exceed its fair value less costs of disposal. Following the assessment, the Group concluded (i) that it should reverse partial provision for impairment loss of P4 Assets of $4,092,000 in FY 2023 and 2(ii) it was satisfied that after such reversal, the carrying value of P4 Plant Assets is below the fair value less costs of disposal. The basis for the conclusion is as follows:

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The Company obtained shareholder approval for the proposed transaction with Rongda on 29 April 2023. An extract from the Circular to Shareholders dated 14 April 2023 in relation to the proposed transaction with Rongda is reproduced in italics below.

The Consideration is derived based on willing buyer willing seller basis and after considering, inter alia, the Agreed NAV of the New Company, the indicative market value of the P4 Plant as ascribed by the Independent Valuer, the liabilities to be transferred to the New Company pursuant to the Cooperation Agreement, the rental to be received and the lease deposit, and on the assumption that the Proposed Transactions are completed with a year. In addition, the Board is of the view that pursuant to the Cooperation Agreement, the Purchaser has accorded the highest relative value for the P4 Plant as compared to indications provided by such other potential buyers at the relevant point in time during the Group's protracted search for buyers for the P4 Plant with a mode or structure for the disposal of the P4 Plant that the Directors deemed appropriate and adequate given, inter alia, its circumstances and financial position of the Group. Based on the price indications received from other potential buyers, the Directors derive further comfort that the value of the asset to be disposed is "fair" and not at a discount as compared to price indications from the other potential buyers.

The P4 Plant Assets was classified as asset held for sale in 1Q2023 and was measured based on its carrying amount as the fair value less cost to sell was estimated to be higher.

Prior to the entry into supplemental agreement on 29 January 2024, Sichuan Mianzhu also received proposals from 2 Chinese state-owned companies to acquire the P4 Plant Assets with essentially the same pricing for the P4 Plant Assets as under the agreement with Rongda. This provided comfort that the fair value less cost to sell can be supported as it has not changed significantly since the initial assessment in 1Q2023.

In January 2024, the Group received an additional RMB20 million from Rongda and in February 2024, Rongda paid the remaining balance of the sales proceeds of RMB39.39 million into an escrow account pursuant to a Supplementary Cooperation Agreement II dated 29 January 2024 ("Supplementary Agreement II"). Such arrangements removed the uncertainty inherent in the Cooperation Agreement signed on 20 March 2023 and Supplemental agreement signed on 22 March 2023 with Rongda and thus, reaffirmed the fair value and the cash inflow from the proceeds of the disposal of the P4 Plant Assets.

Accordingly, management is of the view that it is appropriate for the Group to use the sale consideration agreed on arms-length basis with an unrelated third party to determine the fair value less cost to sell in its assessment of the carrying value of P4 Plant Assets.

In assessing the carrying value of P4 Plant Assets, management has also considered the guidance stated in paragraphs 21 and 22 of ***SFRS(I) 5 Non Current Assets Held for Sale and Discontinued Operations.*** *These are reproduced below:*

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21 An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised either in accordance with this SFRS(I) or previously in accordance with SFRS(I) 1-36 Impairment of Assets.

22 An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of a disposal group: (a) to the extent that it has not been recognised in accordance with paragraph 19; but (b) not in excess of the cumulative impairment loss that has been recognised, either in accordance with this SFRS(I) or previously in accordance with SFRS(I) 1-36, on the non-current assets that are within the scope of the measurement requirements of this SFRS(I).

Based on the accounting guidance and the fair value ascertained in the aforementioned, the management reversed the provision for impairment loss amounting to $4,092,000 and is satisfied that the restated carrying value of P4 Plant Assets did not exceed its fair value less costs of the disposal. The Board concurs with Management's assessment and is of the view that the Group has complied with ***SFRS(I) 5***.

The auditors has also asserted the Group net profit after tax from discontinued operations was overstated by $1,292,000, net profit after tax for the year was overstated by $1,292,000 for the year ended 31 December 2023, accumulated losses as at 31 December 2023 was understated by $1,292,000, and deficit in shareholder's funds as at 31 December 2023 were understated by $1,292,000.

Management has considered in totality all the taxable and deductible temporary differences in the estimation of the Group's deferred tax liabilities. As at 31 December 2023, Sichuan Mianzhu has unutilised tax losses amounting to approximately RMB66.7 million ($12.63 million). Management has also considered the following guidance in ***SFRS (1) 1-12 Income Taxes*** in assessing its deferred tax liabilities position:

SFRS(1) 1-12 Income Taxes

34 A deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

As the transfer of the P4 Plant asset to Rongdafeng was expected pursuant to Supplemental Agreement II, Management assessed and determined that it is probable that Sichuan Mianzhu will have future taxable profit against which the unused tax losses can be utilised. The Group estimated that it can utilise the unused tax losses (therefore deferred tax assets can be accrued) to the extent it can set off the deferred tax liabilities of $1,292,000. Accordingly, the said deferred tax liabilities was deemed to be an over provision, as such, the deferred tax liabilities were reversed to the profit or loss in FY2023.

Judgement is involved in such an assessment and the Board concurs with the Management on the writeback of the deferred tax liabilities.

Management however did not update the Note 6 on Pg 17 of the Group's results announcement dated 29 February and erroneously stated that the Group did not recognise a deferred tax asset in respect of unutilised tax losses.

(3) **Recoverable amount of property, plant and equipment (Note 4), right-of-use assets (Note 5), and investment in subsidiaries (Note 9)**

(3.1) Mining Assets Group

The Auditors asserted that the Group did not assess the recoverable amount of "Property, plant and equipment – Mining Assets" as at 31 December 2023 in accordance with ***SFRS(I) 1-36 Impairment of Assets***.

They reported that they were unable to determine whether any adjustment to the carrying value of "Property, plant and equipment – Mining Assets" as at 31 December 2023 was necessary. They were also unable to obtain sufficient appropriate evidence on whether the associated deferred tax liabilities of "Property, plant and equipment – Mining Assets" was appropriately stated. Any adjustment necessary to the carrying values of "Property, plant and equipment – Mining Assets" and deferred tax liabilities as at 31 December 2023 would have a consequential effect on profit or loss for the year ended 31 December 2023, and accumulated losses and total equity as at 31 December 2023.

Contrary to assertion by the auditors, the Group did assess the recoverable amount of the "Property, plant and equipment – Mining Assets", including the carrying value of the goodwill of the said assets yearly. Based on its assessment, the Group concluded that the recoverable amount of the assets is nil as there is no reasonable basis to derive any value, and consequently the associated tax liability is also nil.

Management has obtained a legal confirmation from the Group's Chinese lawyer that the Group has no ownership rights to the mining and exploration licenses after they expire. Management also considered that the Group has also exhausted all legal means to obtain compensation from the Chinese Government.

Management has accordingly determined that the recoverable value of the mining asset is nil. This is a mathematical result as no ownership right means that any value derived using cash flow projections or replacement cost method will still result in a nil value.

The Board concurs with management's assessment, the practical approach adopted and believes that the Group has complied with SFRS***(I) 1-36 Impairment of Assets***.

(3.2) Right-of-use assets

The auditors reported that the Group did not assess the recoverable amount of right-of-use assets as at 31 December 2023 in accordance with ***SFRS(I) 1-36 Impairment of Assets.***

The amount of right-of-use assets related to the office premises occupied by the Company. The carrying value was $186,000 on 31 December 2023. The lease was renewed for 3 years on 15 September 2023. Management estimated the value when it capitalised the amount and believed that there would not have been any significant change in the carrying value and that the Group will be able to recover the value through continuing use of the office premises.

The Board concurs with Management's approach and deems the amount insignificant.

(3.3) P4 Plant Assets

The auditors asserted that Management's view that the carrying values of property, plant and equipment of $8.950 million (Note 4) and right-of-use assets of $1.295 million (Note 5) related to the P4 Plant Assets were sufficiently supported by proceeds from the proposed disposal of the P4 Plant Assets (Note 15) based on an agreement dated 20 March 2023 and supplemental agreement dated 22 March 2023 entered into with Rongda is not in compliance with ***SFRS(I) 1-36 Impairment of Assets.***

The Standard defines recoverable amount as the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use.

The Standard also states that it is not always necessary to determine both an asset's fair value less costs of disposal and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired, and it is not necessary to estimate the other amount.

The P4 Plant was shut down in June 2018 and has not resumed production since. It is thus impossible to provide projections for value in use computation.

Please see our response in (ii) above and the discussion on fair value less cost to sell.

The Board concurs with Management and does not believe that the Group has not complied with ***SFRS(I) 1-36 Impairment of Assets***.

(3.4) Investment in subsidiaries

The auditors asserted that Management did not determine the recoverable amount of investment in subsidiaries, which is the higher of value-in-use and fair value less costs of disposal as at 31 December 2023 and 2022.

Contrary to the assertion by the auditors, management did carry out the assessment of the recoverable amount based on the consolidated financial statements of Norwest Chemicals Pte Ltd after having taken into account the following:-

- disposal of the P4 and STPP Plant Assets. Based on management assessment, the equity value of Norwest Chemicals Pte Ltd was in deficit of $2.68 million. Accordingly, the Company made provision for full impairment loss of $9,400,000.

-Norwest Chemicals Pte Ltd and its wholly-owned subsidiary Sichuan Mianzhu has lost its mining assets and sold or is in the process of divesting its P4 Plant Assets and its STPP Plant Assets. It only has a trading business which the Group plans to transfer to its new subsidiary, Norwest Global Trading Pte Ltd which was incorporated on 25 March 2024.

The Board has accepted Management's rationale for recognising for full impairment loss of the investment in subsidiaries. It is not always possible to have strict compliance with ***SFRS(I) 1-36 Impairment of Assets*** because there are situations such as what Norwest Chemicals Pte Ltd and its subsidiaries are currently facing. It is important to note that the impairment loss recognised by the Company did not affect the Group's results or financial position as it would have been eliminated upon consolidation.

(4) Trade and other payables (Note 23)

The auditors reported they are unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the existence, completeness, accuracy, rights and obligations in respect of the liabilities as at 31 December 2022 and the profit or loss for the year ended 31 December 2022, their opinion on the financial statements for the prior financial year ended 31 December 2022 was modified accordingly.

In their view, management's reversal of the accrual in FY2023 resulted in net loss after tax from continuing operations was understated by $156,000 and net profit after tax was overstated by $156,000 for the year ended 31 December 2023, accumulated losses as at 31 December 2023 were understated by $156,000, and deficit in shareholder's funds as at 31 December 2023 was understated by $156,000.

In the year ended 31 December 2022, the management has accrued for certain costs that might have been incurred but difficult to quantity e.g. the ICSID tribunal costs related to the arbitration and certain costs for which the bills had not been received.

During FY2023, the Group managed to agree with the lawyers to waive legal bills amounting to US$166,319 for work carried out in FY2022 and which was not reimbursed by the US Fund.

The Board concurs with management that there is no material misstatement of the results for FY2023 and for the year ended 31 December 2022.

Report on Other Legal and Regulatory Requirements

In their opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of their report, they do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which they are the auditors have been properly kept in accordance with the provisions of the Act.

However, the Board has been advised by legal counsel that the accounting and other records to be kept by under section 199(1) of the Singapore Companies Act relate only to Singapore Incorporated Companies and not foreign companies.

In light of this the Board is of the opinion that the accounting and other records of the Company and its Singapore incorporated subsidiaries, as required to be kept under section 199(1) of the Singapore Companies Act, have been properly kept in accordance with the Singapore Companies Act.

The Board confirmed that all material disclosures, facts and information (including but not limited to disclosures pertaining to material operations and business of the Group, the going-concern assumption, the international arbitration and the ongoing appeal) have been provided and announced for trading of the Company's shares to continue and is not aware of any facts the omission of which would make any statement misleading.

The Board undertakes to provide such further updates and any other material information for shares to be traded in an orderly manner.

Shareholders are advised to read this Announcement together with The Independent Auditor's Report and a complete set of the Financial Statements within the Company's annual report for FY2023, which will be despatched to shareholders in due course.

BY ORDER OF THE BOARD

Ong Hian Eng
Executive Director
AsiaPhos Limited
4 April 2024

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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.*

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.