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**A. DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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

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**A. DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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**”), has issued a disclaimer opinion in relation to the following in its independent auditor's report dated 12 April 2022 (“**Independent Auditor's Report**”) for the financial statements of the Group (“**Financial Statements**”) for the financial year ended 31 December 2021 (“**FY2021**”). The basis for the disclaimer of opinion is set out below:

**(1) Going concern**

The Group incurred a net loss after tax of \$77,851,000 and reported net operating cash outflows of \$2,683,000 for the financial year ended 31 December 2021. Excluding the assets and liability of the disposal group, the Group's current liabilities exceeded its current assets by \$13,284,000 (2020 - \$9,347,000) as at 31 December 2021. The Company had net current liability of \$4,910,000 as at 31 December 2021. The above factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2(a) 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 liability of disposal group and discontinued operation (Note 14)**

The assets and directly associated liabilities of Mine 1 and Mine 2 (“Mine 1” and “Mine 2”) of Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd and the mine of Deyang Fengtai Mining Co., Ltd. (“Fengtai Mine”) (collectively, the “Mining Assets”) were reclassified as assets and liabilities of disposal group in the Group’s consolidated balance sheet on 30 November 2017.

The proposed disposal has not been completed as at 31 December 2021. Further details are as disclosed in Note 2(d) and Note (14) to the financial statements.

As disclosed further in Note 2 (d) and Note 14, the directors are of the view that it remains appropriate to classify the Mining Assets as assets and liability of disposal group in the Group’s consolidated balance sheet as at 31 December 2021 and its results as discontinued operation on the Group’s consolidated statement of comprehensive income for the year ended 31 December 2021. Their opinion on the financial statements for the prior financial year ended 31 December 2020 was modified in respect of this matter.

As at 31 December 2021, the directors reassessed the Group’s position in the investment dispute with the Chinese Government and were of the view that an amicable settlement with the Chinese Government was unlikely. Accordingly, the Group recognised an impairment loss of \$90,066,000 on the entire carrying value of the Mining Assets presented within “assets of disposal group”, and reversed deferred tax liabilities of \$16,383,000 presented within “liabilities of disposal group” to “Tax credit” in “Profit/(Loss) from discontinued operation, net of tax”, for the year ended 31 December 2021.

There exists significant uncertainties with respect to the outcome of the proposed disposal as it is subject to further negotiation with the relevant authorities in the People’s Republic of China (“PRC”). Based on the information available to them, they were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the classification of the Mining Assets as assets and liabilities of disposal group, and the carrying values of the assets and liabilities of disposal group in the Group’s consolidated balance sheet as at 31 December 2020 and 31 December 2021. They were also unable to obtain sufficient appropriate evidence on the classification as and disclosures relating to discontinued operation in the statement of comprehensive income, including whether the impairment made of \$90,066,000 and its consequent tax effects, and the non-controlling interest’s share of the results of \$15,033,000 in 2021 are appropriately stated.

## **(3) Recoverable amount of property, plant and equipment (Note 4) and right-of-use assets (Note 5)**

The Group assessed the recoverable amount of the elemental phosphorus (the “P4”) plant as at 31 December 2021 based on valuation reports prepared by an independent Chinese professional valuer engaged by one of the Group’s bankers to determine the value of certain parts of the P4 plant and associated land use rights which were used to secure the Group’s loan with the bank. However, they could not obtain the related underlying computations for the valuations performed. As a result, they were unable to obtain sufficient appropriate evidence to satisfy

themselves on the reasonableness of the key assumptions and inputs used in the determination of the recoverable amount of the P4 plant. Consequently, they were unable to assess the appropriateness of the carrying value of the property, plant and equipment and right-of-use assets related to the P4 plant as at 31 December 2021.

The Company did not assess the recoverable amount of the plant and equipment of a subsidiary with a carrying value of \$43,000 as at 31 December 2021. This is not in compliance with SFRS(I) 1-36 Impairment of Assets. They were unable to satisfy themselves by alternative means concerning the carrying amount of plant and equipment as at 31 December 2021.

Their opinion on the financial statements for the prior financial year ended 31 December 2020 was modified in respect of the Sodium Tripolyphosphate plant (the “STPP plant”) whose carrying amount as at 31 December 2020 was based on a valuation report as at 31 July 2020 prepared by an independent Chinese professional valuer for asset disposal reference purposes. They were unable to assess the appropriateness of the carrying value of the property, plant and equipment and right-of-use assets as at 31 December 2020 without the underlying computations for the valuation from the valuer. The STPP plant was transferred to non-current assets classified as held for sale during the financial year ended 31 December 2021. Their opinion on the current period’s financial statements is also modified because of the possible effect of this matter on the comparability of the current period’s figures and the corresponding figures.

#### **(4) Impairment of investment in subsidiaries (Note 8) and amounts due from subsidiaries (Note 12)**

The Group recognised an impairment loss of \$36,049,000 on investment in subsidiaries for the year ended 31 December 2021 based on the adjusted net assets of the subsidiaries. This is not in compliance with SFRS(I) 1-36 Impairment of Assets which requires the recoverable amount of non-financial assets to be estimated based on the higher of the asset's fair value less costs of disposal and its value in use. They were unable to satisfy themselves by alternative means the appropriateness of the impairment loss for the year ended 31 December 2021 as well as the carrying amount of investment in subsidiaries at 31 December 2021 and 31 December 2020.

As at 31 December 2021, the Company had a non-trade amount of \$42,000 due from a subsidiary which had net liabilities and did not have sufficient accessible highly liquid assets to repay the amount to the Company if demanded at the reporting date. As at 31 December 2021, the Company did not recognise an impairment loss on this amount which is a departure from Singapore Financial Reporting Standard (I) 9 Financial Instruments.

#### **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.

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 FY2021, which will be despatched to shareholders in due course.

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

The Board further wishes to set out the following:

### **(i) Going concern**

The Board is of the opinion that the Company and the Group are able continue 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 worstcase 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 in 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) have provided undertakings 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.

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.

**(ii) Assets and liability of disposal group and discontinued operation**

The Board has already assessed the Group's position. It looks increasingly unlikely that the Chinese Government will settle the dispute amicable. Any compensation is subject to the outcome in the ongoing international arbitration and the final award by the Arbitral Tribunal. The Group has recognised full impairment of the mining asset and written back the deferred tax liability of disposal group.

**(iii) Recoverable amount of property, plant and equipment and ROU**

The Group has estimated the value of the property, plant and equipment based on the independent valuation and also the signed agreement for the sale of the Phase 2 Factory Assets and the offers and expression of interest received for the Phase 1 Factory Asset.

(iv) **Impairment of investment in subsidiaries and recoverability of amounts due from subsidiaries**

The recoverable amounts of the investment in subsidiary and amounts due from subsidiary are dependent on the outcome of the negotiation with the Chinese Government and the recoverable amount of the property, plant and equipment and ROU.

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) have been provided and announced for trading of the Company's shares to continue and are not aware of any facts the omission of which would make any statement misleading.

The Directors undertake 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 FY2021, which will be despatched to shareholders in due course.**

**BY ORDER OF THE BOARD**

Ong Hian Eng  
 Executive Director  
 AsiaPhos Limited  
 12 April 2022

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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. Liao H.K., at 160 Robinson Road, #21-05 SBF Center, Singapore 068914, Telephone number: 6221 0271.*