Independent auditor's report to the Member of AsiaPhos Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of AsiaPhos Limited (the "Company"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(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 us, we have not been able to obtain sufficient audit evidence to satisfy ourselves 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.

Independent auditor's report to the Member of AsiaPhos Limited

Basis for Disclaimer of Opinion (Cont'd)

(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. Our 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 us, we 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. We 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.

Independent auditor's report to the Member of AsiaPhos Limited

Basis for Disclaimer of Opinion (Cont'd)

(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, we could not obtain the related underlying computations for the valuations performed. As a result, we were unable to obtain sufficient appropriate evidence to satisfy ourselves on the reasonableness of the key assumptions and inputs used in the determination of the recoverable amount of the P4 plant. Consequently, we 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. We were unable to satisfy ourselves by alternative means concerning the carrying amount of plant and equipment as at 31 December 2021.

Our 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. We 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. Our 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. We were unable to satisfy ourselves 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.

Independent auditor's report to the Member of AsiaPhos Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis of Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we 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 we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Toh Kim Teck.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 12 April 2022