2(a) Basis of preparation

Going concern
The Group incurred a net loss after tax of $2,765,000 (2019 - $4,389,000) and have a net cash used in operating activities of $762,000 (2019 - $1,342,000). Excluding the assets and liability of the disposal group, the Group's current liabilities exceeded its current assets by $9,090,000 (2019 - $7,737,000) as at 31 December 2020. The Company has accumulated losses of $36,892,000 (2019 - $35,811,000) and has a net current liability of $4,058,000 (2019 - $2,977,000) as at 31 December 2020. The above factors may indicate the existence of material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concern.

In the opinion of the directors, the Group and the Company are able to continue as going concern for the following reasons:

(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 ("SHMP") as well as other polyphosphate chemicals and achieve reduction in cash outlays and overheads from downsized operations;

(b) In 2019, the Group leased the STPP plant to a third party for RMB1 million per annum for a period of 4 years, with the option to extend for another 3 years upon the expiry. Rental income is paid bi-annually.

The Group is also exploring sale of land that is surplus to the Group's current operating requirements and is in negotiations to lease out its P4 plant; and

(c) Discussions will be carried out by the Group with financial institutions to rollover its existing loans as and when they fall due. As disclosed in Note 36 the Group has renewed facilities of $2,029,000 (RMB10,000,000) in January 2021. Accordingly, as at the date of this report, the Group has aggregate facilities of $6,302,000 (RMB31,050,000) which are due in December 2021 and January 2022. 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 requisite financing for the Group's operations.

As a result, the consolidated financial statements of the Group and the Company have been prepared on a going concern basis.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, 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 balance sheet. In addition, the Group and the Company may have to be reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2(d) Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Assets and liability of disposal group
Since November 2017, the Group has been in discussion with the Chinese Government in relation to Mine 1, Mine 2 and Fengtai Mine (collectively, the "Mining Assets"). Based on legal advice received, while the Group's ownership of the Mining Assets was still valid as at 31 December 2017, the Mianzhu City Government's request to provide a letter of undertaking to vacate and rehabilitate its mining sites in respect of Mine 2 and Fengtai Mine and the non-renewal of mining and exploration licenses of Mine 1 is tantamount to an indirect expropriation of these Mining Assets.

SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* requires non-current assets to be classified as held for sale if the carrying amount will be recovered principally through a sale transaction or otherwise rather than continuing use. The carrying value of the Mining Assets is expected to be recovered principally through compensation receivable from the Chinese Government for the expropriation of the Mining Assets.

SFRS(I) 5 also recognises that events and circumstances may extend the period required to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the disposal group from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group.

As at 31 December 2020, the disposal of Mining Assets has not been completed. As announced on 11 August 2020, the Group's lawyers have submitted a Request for Arbitration to the Chinese Government The Group continues to be open to consider any compensation proposal from the Chinese Government.

Insofar, the Group has cooperated fully with the Chinese Government in provision of the required information and remains committed to achieving a settlement with the Chinese Government.

Accordingly, due to the continuing discussions with the Chinese Government, the directors are of the view that it is appropriate for the Group to continue to present all mining related property, plant and equipment, mine properties, goodwill and deposits for mining levy, and the provision for rehabilitation as "assets of disposal group" and "liability of disposal group" respectively on the Group's consolidated balance sheet as at 31 December 2020.

No adjustments have been made to the carrying value of these assets so as not to prejudice the Group's position in the ongoing discussion with the Chinese Governmen

14 Discontinued operation and disposal group

Since November 2017, the Group has been in discussions with the Chinese Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining sites in respect of Mine 2 and the Fengtai Mine and the non-renewal of the Mine 1 mining and exploration licenses. Based on legal advice received, while the Group's ownership of the Mining Assets was still valid as at 31 December 2017, the Chinese Government's action was tantamount to an indirect expropriation of these Mining Assets.

SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* requires non-current assets to be classified as held for sale if the carrying amount will be recovered principally through a sale transaction or otherwise rather than continuing use. The carrying value of the Mining Assets is expected to be recovered principally through compensation receivable from the Chinese Government for the expropriation of the Mining Assets.

The Group adopted the principles set out in SFRS(I) 5 in its accounting treatment of the Mining Assets as an expropriation is in substance, a compulsory acquisition of the Mining Assets carried out by the Chinese Government. All mining related property, plant and equipment, mine properties, goodwill, deposits for mining levy have been reclassified as "assets of disposal group" in current assets on the consolidated balance sheet since 30 November 2017. Provision for rehabilitation was reclassified as "liability of disposal group" in current liabilities on the consolidated balance sheet since 30 November 2017 as the provision is directly associated with the disposal group and the directors are of the view that the cost of rehabilitation will be deducted from the settlement proceeds. Since 30 November 2017, the results from mining operations are presented separately as "Discontinued operation" on the Group's consolidated income statement.

SFRS(I) 5 also recognises that events and circumstances may extend the period required to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the disposal group from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group.

As at 31 December 2020, because of unexpected changes, the disposal of Mining Assets has not been completed. As disclosed on 15 November 2018, the negotiations had escalated from Sichuan Provincial Government to Ministry of Commerce of the Chinese Government ("MOFCOM") and MOFCOM had recommended to continue discussions for the appointment of independent valuer to value the Group's claims and the terms of reference of such engagement. Accordingly, the Group had submitted its proposal in relation to the appointment of the independent expert. The Chinese government has yet to response to Group's proposal. During the financial year, the Group has asked for the Singapore Government's assistance in raising this issue directly with the Chinese Government.

14 Discontinued operation and disposal group (Cont'd)

Insofar, the Group has cooperated fully with the Chinese Government in provision of the required information and remains committed to achieving a settlement with the Chinese Government.

Accordingly, due to the continuing discussions with the Chinese Government, the directors are of the view that it is appropriate for the Group to continue to present all mining related property, plant and equipment, mine properties, goodwill and deposits for mining levy, and the provision for rehabilitation as "assets of disposal group" and "liability of disposal group" respectively on the Group's consolidated balance sheet as at 31 December 2020.

Immediately before the classification to assets of disposal group on 30 November 2017, the recoverable amount of the mining assets was estimated. Based on independent valuation of the mining assets, the fair value of the relevant assets is greater than their carrying value. No impairment loss was identified for FY2020 and FY2019.

As a result, the directors are of the opinion that the fair market value less cost of disposal is higher than the carrying amount of the assets and liability of disposal group.

No adjustments have been made to the carrying value of these assets so as not to prejudice the Group's position in the ongoing discussions with the Chinese Government.

Balance sheet disclosures

	2020	2019
The Group	**$'000**	$'000
Assets of disposal group:		
Mine properties	**65,258**	65,232
Mining related property, plant and equipment	**12,228**	11,676
Goodwill	**12,249**	12,249
Deposits for rehabilitation and mining levy	**40**	39
	89,775	89,196
Liability of disposal group:		
Provision for rehabilitation	**(807)**	(769)
Net assets of disposal group	**88,968**	88,427

14 Discontinued operation and disposal group (Cont'd)

Income statement disclosures:

The results of discontinued operation for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
The Group	**$'000**	$'000
Revenue	**-**	-
Cost of sales	**-**	-
Gross profit	**-**	-
General and administrative costs	**624**	168
Finance costs	**-**	-
Profit before tax from discontinued operation	**624**	168
Taxation	**-**	-
Profit from discontinued operation, net of tax	**624**	168

During the year, provision for doubtful debts (net) of $624,000 (2019 - $466,000) was written back and included in "General and administrative costs" in the profit/(loss) from discontinued operation, net of tax.

Cash flow statement disclosures:

The cash flows attributable to the disposal group are as follows:

	2020	2019
The Group	**$'000**	$'000
Operating net cash inflows	**624**	168