

A. DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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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 10 April 2023 (“**Independent Auditor's Report**”) for the financial statements of the Group (“**Financial Statements**”) for the financial year ended 31 December 2022 (“**FY2022**”) The basis for the disclaimer of opinion is set out below:

(1) Going concern

The Group incurred a net loss after tax for the year of \$1,616,000 from continuing and discontinued operations and reported net operating cash outflows of \$3,262,000 for the financial year ended 31 December 2022. Excluding non-current assets held for sale and the related “Advance sales consideration received from proposed assets disposal”, the Group's current liabilities exceeded its current assets by \$7,832,000 as at 31 December 2022. The Company had net current liabilities of \$5,744,000 as at 31 December 2022. The Group had a deficit in total equity of \$1,647,000. 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 13)

Since 31 December 2017, 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”) have been reclassified as assets and liabilities of disposal group in the Group’s consolidated balance sheet on the grounds that the Chinese government’s action of ordering the Group’s vacation and rehabilitation of the mines and of non-renewal of the mining and exploration licenses was tantamount to an indirect expropriation of these Mining Assets. The proposed disposal has not been completed as at 31 December 2022.

As disclosed further in Note 2(d) and Note 13, the directors are of the view that it remains appropriate to classify the Mining Assets as assets and liabilities of disposal group in the Group’s consolidated balance sheet as at 31 December 2022 and its results as discontinued operations on the Group’s consolidated statement of comprehensive income for the year ended 31 December 2022.

This is not consistent with the directors’ assessment in 2021 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 Assets of \$90,066,000 and reversed the associated deferred tax liabilities of \$16,383,000 during 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 2022 and 2021.

The Group did not assess the recoverable amount of the Mining Assets as at 31 December 2022 and 31 December 2021.

They were unable to determine whether any adjustment to the carrying values of the assets and liabilities of disposal group as at 31 December 2022 and 2021 was necessary. Any adjustment necessary to the carrying values of the assets and liabilities of disposal group as at 31 December 2022 and 2021 would have a consequential effect on profit or loss for the years ended 31 December 2022 and 2021, and accumulated losses and total equity as at 31 December 2022 and 2021.

Their opinion on the financial statements for the prior financial year ended 31 December 2021 was modified in respect of this matter.

(3) Recoverable amount of property, plant and equipment (Note 4) and right-of-use assets (Note 5) and investment in subsidiaries (Note 7)

As at 31 December 2022, the carrying value of:

- the Group's elemental phosphorus ("P4") plant (the "P4 Plant Assets") of \$10.24 million comprises property, plant and equipment of \$8.950 million (Note 4) and right-of-use assets of \$1.295 million; and
- the Company's investment in subsidiaries is \$9.4 million.

An indication of impairment of the P4 Plant Assets exists since the Group was requested in 2017 to vacate and rehabilitate the Mining Assets (Note 13) by the local authorities resulting in suspension of the use of the P4 Plant Assets. The Group is required to determine the recoverable amount of the P4 Plant Assets and whether the recoverable amount is higher than carrying amount. The recoverable amount of investment in subsidiaries is dependent on the recoverable amount of the P4 Plant Assets.

The recoverable amount is the higher of value-in-use and fair value less costs of disposal. The Group did not determine value-in-use or fair value less costs of disposal of the P4 Plant Assets, nor did the Company estimate value-in-use or fair value less costs of disposal of investment in subsidiaries as at 31 December 2022 and 2021.

The directors are of the view that the recoverable amount of the P4 Plant Assets as at 31 December 2022 is supported by an agreement dated 20 March 2023 entered into with an unrelated entity (the "Purchaser"). Pursuant to the agreement, the Group shall lease the P4 Plant Assets effective 20 March 2023 at an annual rental of RMB8 million to the Purchaser with an option to sell the P4 Plant Assets to the Purchaser at a cash consideration of RMB90 million (\$17.28 million) upon obtaining a production licence from the local authorities.

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 property, plant and equipment, right-of-use assets and investment in subsidiaries as at 31 December 2022 and 2021 was necessary. Any adjustment necessary to the carrying amount of the property, plant and equipment, right-of-use assets and investment in subsidiaries as at 31 December 2022 and 2021 would have a consequential effect on profit or loss for the years ended 31 December 2022 and 2021, and accumulated losses and total equity as at 31 December 2022 and 2021.

Their opinion on the financial statements for the prior financial year ended 31 December 2021 was modified in respect of this matter.

(4) Trade and other payables (Note 21)

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. In the absence of sufficient information, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves 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.

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 FY2022, 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 to continue as a going concern. The basis of the Board's opinion is as follows:

(a) The Group continues to generate cash flows from its trading activities comprising phosphate chemical products and commodity products;

(b) The Group entered into an agreement dated 20 March 2023 and supplemental agreement dated 22 March 2023 with an unrelated entity (the "Purchaser"). Pursuant to the agreement, the Group shall lease the property, plant and equipment and the associated right-of-use assets (collectively the "P4 Plant Assets") at an annual rental of RMB8 million to the Purchaser with an option to sell the P4 Plant Assets to the Purchaser that effectively values the P4 Plant Asset at RMB86 million (\$16.51 million) after subtracting the agreed discount of RMB4.0 million upon obtaining a production licence from the local authorities.

(c) As announced on 29 December 2022, Sichuan Mianzhu was able to renew its bank loan of \$3,610,000 with Bohai Bank (the "Bohai Bank Loan") for another 12 months. Given that the Group has not in the past 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 for its operations when the Bohai Bank Loan due is for repayment in December 2023.

(d) As at 31 December 2022, the Group has received loans of \$1,600,000 from a director, Dr. Ong Hian Eng ("Dr. Ong") who is also Chief Executive Officer of the Company, and \$432,000 (Note 25) from a controlling shareholder. Subsequent to the balance sheet date, Dr. Ong and the controlling shareholder extended further loans amounting to \$355,000 and

\$255,000 respectively to the Group for working capital. The Group expects to receive continued financial support from the controlling shareholders.

(e) The Company is exploring potential fund raising.

(f) On 18 August 2022, the Company and its wholly-owned subsidiary, Norwest Chemicals Pte Ltd, finalised an agreement with a US-based fund that provided non-recourse funding in respect of the arbitration fees and costs for the international arbitration against the the People’s Republic of China in respect of the Mining Assets (Note 13).

(g) As announced on 21 February 2023, the Company received the arbitral tribunal’s adverse ruling on its jurisdiction and the order to the Company to inter alia pay the sums of United States dollars (USD)280,000 and RMB6,350,000 in legal costs to the PRC government. The Company has filed an appeal in the Swiss courts to set aside the Tribunal’s Jurisdictional ruling. Should the appeal be unsuccessful, the proceeds from the disposal of the P4 plant Assets as discussed under note (b) above should be sufficient to pay the legal costs to China.

Based on the above, the Board confirms its view 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. The Board believes that the Chinese Government will not settle amicably nor provide any compensation because of the reason set out below. The Group has already recognised full impairment of the asset of the disposal group and the carrying value is stated as nil as at 31 December 2021.

On 17 February 2023, the Group’s lawyers informed the Company that the International Arbitration Tribunal (the “Tribunal”) issued a jurisdictional ruling..

In a 2 to 1 majority decision, the Tribunal determined that Article 13(3) of the China-Singapore Bilateral Investment Treaty (1985) (the “Treaty”) does not afford jurisdiction over the Group’s expropriation claims and Article 4 of the Treaty does not afford jurisdiction over the Group’s remaining claims. The Tribunal’s jurisdictional ruling only applies to jurisdiction under the Treaty and did not address the merits of the claims. The Tribunal also ordered the Group to reimburse the government of the People’s Republic of China the sums of USD280,000 and RMB6,350,000 in legal costs related to the arbitration.

On 21 March 2023 the Group received confirmation that its Swiss lawyers have filed a petition to the Swiss Supreme Court on 20 March 2023 seeking to *inter alia* set aside the Tribunal’s jurisdictional award and the legal costs ordered.

The recovery of the Group’s investments will depend on the outcome of the appeal to the Swiss Court and any arbitration on the merits of the Group’s claims against the Chinese Government.

(iii) Recoverable amount of property, plant and equipment and Right of use Asset and Investment in Subsidiaries

The Board is of the view that the recoverable amount of the P4 Plant Assets as at 31 December 2022 is supported by an agreement dated 20 March 2023 and supplemental agreement dated 22 March 2023 entered into with an unrelated entity (the “Purchaser”). Pursuant to the agreement, the Group shall lease the P4 Plant Assets effective 20 March 2023 at an annual rental of RMB8 million to the Purchaser with an option to sell the P4 Plant Assets to the Purchaser that effectively values the P4 Plant Assets at a valuation of RMB86 million (\$16.51 million) after subtracting the agreed discount of RMB4.0 million upon obtaining a production licence from the local authorities. Upon the completion of the transaction, the Group would have recovered approximately RMB52.59 million (\$10 million). The recoverable amount based on the transaction is higher than the respective carrying values of property, plant and equipment, right of use asset and Investment in Subsidiaries.

(iv) Trade and other payables

The Group has accrued for certain costs that may have been incurred but difficult to quantity e.g the ICSID tribunal costs relating to the arbitration and certain costs that may have been incurred but invoice not received.

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 FY2022, which will be despatched to shareholders in due course.

BY ORDER OF THE BOARD

Ong Hian Eng
 Executive Director
 AsiaPhos Limited
 10 April 2023

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.