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**A. DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**  
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**A. DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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 9 April 2021 ("Independent Auditor's Report") for the financial statements of the Group ("Financial Statements") for the financial year ended 31 December 2020 ("FY2020"). The basis for the disclaimer of opinion is set out below:

(i) Assets and liability of disposal group and discontinued operation

The auditors' reports dated 3 April 2019 and 3 April 2020 on the financial statements for the previous financial years ended 31 December 2018 and 2019, respectively, contained a basis for disclaimer opinion on the assets and liability of disposal group and discontinued operation.

The assets and directly associated liability of Mine 1 and Mine 2 of Sichuan Mianzhu Norwest and Fengtai Mine, (collectively, the "Mining Assets") were reclassified as assets and liability of disposal group in the Group's consolidated balance sheet on 30 November 2017 and its results were reclassified as discontinued operation in the Group's consolidated statement of comprehensive income for the year ended 31 December 2017.

During the current financial year, due to circumstances as disclosed in Note 2 (d) to the financial statements, the proposed disposal has not been completed. 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 2020 and its results as discontinued operation on the Group's consolidated statement of comprehensive income for the year ended 31 December 2020. The directors are also of the view that the fair value less costs of disposal of the Mining Assets is higher than their carrying amounts as at 31 December 2020. However, 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 liability of disposal group and its results as discontinued operation. They were also unable to assess the appropriateness of the discontinued operation in the statement of comprehensive income and the carrying values of the assets and liability of disposal group in the Group's consolidated balance sheet as at 31 December 2020.

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



The auditors' reports dated 3 April 2019 and 3 April 2020 on the financial statements for the previous financial years ended 31 December 2018 and 2019 respectively contained a disclaimer opinion on the impairment of investment in subsidiary and recoverability of amounts due from subsidiary.

As explained in the above paragraphs, there exists significant uncertainties with respect to the outcome of the proposed disposal of the Mining Assets. The recoverable amounts of the investment in subsidiary and amounts due from subsidiary are dependent on the outcome of the proposed disposal. Consequently, based on the information available to them, they were also unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying values of the Company's cost of investment in subsidiary amounting to \$45,449,000 and amounts due from subsidiary of \$340,000 as at 31 December 2020.

(iii) Recoverable amount of property, plant and equipment and right-of-use assets ("ROU")

The auditors' reports dated 3 April 2019 and 3 April 2020 on the financial statements for the previous financial years ended 31 December 2018 and 2019 respectively contained a disclaimer opinion on the Impairment of property, plant and equipment relating to the phosphorus ("P4") plant.

As disclosed in Notes 4 and 5 to the financial statements, the Group assessed the recoverable value of the P4 plant, sodium tripolyphosphate ("STPP") plant and ROU assets as at 31 December 2020 based on valuation reports prepared by an independent Chinese professional valuer engaged by the management to determine the value of the P4 plant, STPP plant and ROU assets. However, they could not obtain the related underlying computations for the valuations performed. As a result, they were unable to obtain new audit 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, STPP plant and ROU assets. Consequently, they were unable to assess the appropriateness of the carrying value of P4 plant, STPP plant and ROU assets recorded as at 31 December 2020.

(iv) Valuation of warrants

On 24 March 2017, the Company completed the issuance of 112,664,875 Rights Shares and 112,664,875 Warrants for cash consideration of \$9,013,000. The Warrants were issued free with the Rights Shares on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for, fractional entitlements, if any, to be disregarded. Each Warrant carries the right to subscribe for one (1) New Share at the Exercise Price of \$0.08 for each New Share within the period commencing on and including the date of issue of the Warrants and expiring on 23 March 2020 being the date immediately preceding the third (3rd) anniversary of the date of issue of the Warrants (the "Exercise Period"). The warrants expired on 23 March 2020.

Based on management's assessment, the financial impact arising from the adjustments of the 2017 Rights cum Warrants was minimal. As such, the Company did not make any adjustments for the above matters to the financial statements for the financial year ended 31 December 2017. However, they are unable to obtain sufficient appropriate audit evidence on the fair values of the issued warrants in 2017. Consequently, they are unable to determine whether adjustments to the accompanying financial statements may be necessary since the grant date in 2017 to the date the warrants expired, including whether adjustments are needed to the 31 December 2019 financial statements.



(v) Going concern

The auditors' reports dated 3 April 2019 and 3 April 2020 on the financial statements for the previous financial years ended 31 December 2018 and 2019 respectively contained a disclaimer opinion on the going concern.

As disclosed in Note 2(a) to the financial statements, the Group incurred a net loss after tax of \$2,765,000 and have a net cash used in operating activities of \$762,000. Excluding the assets and liability of the disposal group, the Group's current liabilities exceeded its current assets by \$9,090,000 as at 31 December 2020. The Company has accumulated losses of \$36,892,000 and has a net current liability of \$4,058,000 as at 31 December 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company 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. However, based on the information available to them-, they have not been able to obtain sufficient appropriate audit evidence to satisfy themselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

The auditors also stated that except for the matters described in the basis for Disclaimer Opinion section of the report, 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.(the "Relevant Opinion").

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 FY2020, which will be uploaded to the SGXnet and Company's website in due course.

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

The Board further wishes to set out the following:

i. Assets and liability of disposal group and discontinued operation

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"). While the Group's ownership of the Mining Assets was still valid as at 31 December 2017,



the Chinese Government's order to cease operation of the Mining Assets and to vacate the Mining Assets is tantamount to an 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 15 November 2018, the negotiations on disposal of the Mining Assets had been escalated from the Sichuan Provincial Government to Ministry of Commerce of the Chinese Government ("MOFCOM") and MOFCOM had recommended to continue discussions on the appointment of independent valuer to value the Group's claims and the terms 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 respond to the 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.

Accordingly, because of the continuing discussions with the Chinese Government, the directors are of the view that the one-year rule exception under SFRS(I) 5 is applicable and the Group continues 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.

No adjustments have been made to the classification and carrying value of these assets so as not to prejudice the Group's position in the ongoing discussion with the Chinese Government. Adjustments will be made and recognised in the consolidated income statement when the amount of compensation can be ascertained.

- ii. 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.



iii. Recoverable amount of property, plant and equipment and ROU

The Group has recognised that the P4 plant may be impaired as production could not resume after it was shut down for maintenance because of the wrongful acts of the Chinese Government. The recoverable amount of the P4 plant, STPP plant and ROU will depend on successful conclusion of negotiation to either form a joint venture to relocate outside China or a sale or leasing or processing arrangement with other phosphate chemical groups in China. The Group will continue to explore opportunities and monitor market development and assess the appropriateness of the carrying value of P4 plant, STPP plant and ROU.

iv. Valuation of warrants

The Board did not attribute and record any value to the warrants as the market price of the Company's shares was below the exercise price of the warrants for the period in question.

v. 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) In FY2019, the Group leased the STPP plant to a third party for RMB 1 million per annum for a period of 4 years, with the option to extend for another 3 years upon expiry. Rental income is received 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 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.

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 FY2020, which will be despatched to shareholders in due course.**

## **BY ORDER OF THE BOARD**

Ong Hian Eng  
Executive Director  
AsiaPhos Limited  
9 April 2021

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("**Exchange**") Listing Manual Section B: Rules of Catalyst for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

*This announcement has not been examined or approved by 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.  
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