

Financial Statements and Related Announcement::First Quarter Results


Issuer & Securities

Issuer/ Manager	ASIAPHOS LIMITED
Securities	ASIAPHOS LIMITED - SG2G24997246 - 5WV ASIAPHOS LIMITED W200323 - SG5DS5000008 - 1C9W
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ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR FIRST QUARTER ENDED 31 MARCH 2018

Background

AsiaPhos Limited (the “**Company**”), and together with its subsidiaries, (the “**Group**”) was listed on the Catalist Board (the “**Catalist**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 7 October 2013.

As disclosed in the Group’s announcements dated 24 November 2017, 30 November 2017, 4 December 2017, 9 February 2018 and 10 April 2018, the Group is currently in discussion with the Sichuan Provincial 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 site in respect of Mine 2 and the Fengtai mine and the non-renewal of the Mine 1 mining license.

Accordingly, the assets and directly associated liability of the mining assets were presented as assets of disposal group and liability directly associated with disposal group on the Group’s consolidated balance sheet. Arising thereon, the results of the Group’s upstream segment have been reclassified as discontinued operation on the Group’s consolidated statement of comprehensive income statement. Comparatives were re-presented to conform with 2018’s presentation.



PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF RESULTS FOR FIRST QUARTER ENDED 31 MARCH 2018

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	First Quarter Ended 31 March		
	2018	2017	Change
	\$'000	\$'000	%
Continuing operations			
Revenue	9,520	10,021	(5)
Cost of sales	(8,910)	(9,071)	(2)
Gross profit	610	950	(36)
Other income	85	98	(13)
Selling and distribution costs	(253)	(287)	(12)
General and administrative costs	(1,284)	(896)	43
Finance costs	(122)	(202)	(40)
Profit/(loss) before tax, from continuing operations	(964)	(337)	186
Taxation	35	129	(73)
Profit/(loss) from continuing operations, net of tax	(929)	(208)	347
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	196	330	(41)
Profit/(loss) for the period	(733)	122	N.M.
Other comprehensive income			
Items that may be recycled to profit or loss			
Foreign currency translation gain/(loss)	791	(1,252)	N.M.
Total comprehensive income for the period	58	(1,130)	N.M.
Net profit/(loss) for the period attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations, net of tax	(929)	(208)	347
Profit/(loss) from discontinued operation, net of tax	196	330	(41)
	(733)	122	N.M.
Non-controlling interest			
Profit/(loss) from continuing operations, net of tax	-	-	-
Profit/(loss) from discontinued operation, net of tax	-	-	-
	-	-	-
Profit/(loss) for the period	(733)	122	N.M.
Total comprehensive income for the period attributable to:			
Owners of the Company	58	(1,130)	N.M.
Non-controlling interest	-	-	-
	58	(1,130)	N.M.
Attributable to owners of the Company			
Total comprehensive income for the period from continuing operations	(138)	(1,460)	(91)
Total comprehensive income for the period from discontinued operation	196	330	(41)
	58	(1,130)	N.M.

"N.M." denotes not meaningful.

Profit/(loss) from continuing operations, net of tax for first quarter ended 31 March 2018 ("1Q2018") includes profit after tax from downstream segment of \$0.3 million, as compared to \$0.5 million in first quarter ended 31 March 2017 ("1Q2017") and loss from corporate and other unallocated expenses amounting to \$1.2 million (1Q2017: \$0.7 million), respectively.

Foreign currency translation gain/(loss) represents exchange differences arising from translation of the financial statements of the PRC subsidiaries whose functional currency (Renminbi, "RMB") is different from that of the Group's presentation currency (Singapore



Dollar, “SGD”, “\$”). The Group’s net investment in PRC is not hedged as currency positions in RMB are considered to be long-term in nature. Such translation gains/(losses) are of unrealised nature and do not impact current year profit/(loss) unless the underlying assets or liabilities of the PRC subsidiaries are disposed of.

In 1Q2018, the Group recorded translation gain of \$0.8 million due to the weakening of SGD against RMB.

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

The Group’s net profit/(loss) for the period was arrived at after (charging)/crediting the following:

	Group		
	First Quarter Ended 31 March		
	2018	2017	Change
	\$'000	\$'000	%
Interest income	3	5	(40)
Gains on financial asset held for trading	2	-	100
Interest expenses			
- continuing operations	(94)	(197)	(52)
- discontinued operation	(16)	(16)	-
Amortisation and depreciation			
- continuing operations #	(106)	(120)	(12)
- discontinued operation	-	(57)	(100)
Provision for doubtful debts (made)/written back	8	-	100
Foreign exchange gain/(loss) *	(74)	201	(137)

“N.M.” denotes not meaningful.

* Included in general and administrative costs

Included in selling and distribution costs and general and administrative costs



1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at		As at	
	31 March	31 December	31 March	31 December
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Land use rights	4,419	4,362	-	-
Property, plant and equipment	25,301	25,162	-	-
Prepayments	709	695	-	-
Other receivables	34	34	-	-
Investment in subsidiaries	-	-	78,036	78,036
	30,463	30,253	78,036	78,036
Current assets				
Stocks	8,820	12,135	-	-
Trade receivables	2,319	985	-	-
Other receivables	489	379	89	55
Prepayments	2,813	2,174	504	282
Financial asset held for trading	-	389	-	-
Cash and bank balances	2,041	2,203	1,046	1,130
Assets of disposal group	90,343	90,110	-	-
Amounts due from subsidiaries	-	-	6,560	6,803
	106,825	108,375	8,199	8,270
Total assets	137,288	138,628	86,235	86,306
Current liabilities				
Bank overdraft (secured)	205	-	205	-
Trade payables	3,794	4,439	-	-
Other payables	4,091	5,121	221	241
Advance payments from customers	337	492	-	-
Interest-bearing bank loans	7,092	6,963	-	-
Provision for taxation	772	713	-	-
Liability of disposal group	830	815	-	-
Amounts due to subsidiaries	-	-	3,070	2,983
	17,121	18,543	3,496	3,224
Net current assets/(liabilities)	89,704	89,832	4,703	5,046
Non-current liabilities				
Deferred tax liabilities	17,402	17,385	-	-
Deferred income	2,050	2,034	-	-
	19,452	19,419	-	-
Total liabilities	36,573	37,962	3,496	3,224
Net assets	100,715	100,666	82,739	83,082
Equity attributable to owners of the Company				
Share capital	78,283	78,283	78,283	78,283
Reserves	12,969	12,920	4,456	4,799
	91,252	91,203	82,739	83,082
Non-controlling interest	9,463	9,463	-	-
Total equity	100,715	100,666	82,739	83,082

(1)(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	Group			
	31 March 2018		31 December 2017	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable				
In one year or less, or on demand	7,297	-	6,963	-
After one year	-	-	-	-
	<u>7,297</u>	<u>-</u>	<u>6,963</u>	<u>-</u>

Details of collaterals

As at 31 March 2018, the Group pledged land use rights and certain property, plant and equipment of the Group, with net book value of RMB21.2 million (approximately \$4.4 million) and RMB70.5 million (approximately \$14.7 million) respectively, as collaterals. The Company has also provided a corporate guarantee for a bank loan of RMB24.0 million (approximately \$5.0 million).

As at 31 December 2017, the Group pledged land use rights and certain property, plant and equipment of the Group, with net book value of RMB21.3 million (approximately \$4.4 million) and RMB71.2 million (approximately \$14.6 million) respectively, as collaterals. The Company has also provided a corporate guarantee for a bank loan of RMB24.0 million (approximately \$4.9 million).

An amount of approximately \$1.0 million of the Company's fixed deposits was also pledged as collateral for bank overdraft facility as at 31 March 2018 and 31 December 2017.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	First Quarter	
	Ended 31 March	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities :		
Profit/(loss) before taxation		
- continuing operations	(964)	(337)
- discontinued operation	276	459
Profit/(loss) before taxation, total	(688)	122
Adjustments for :		
Depreciation expenses	338	607
Amortisation expenses	24	83
Interest expense	110	207
Interest income	(3)	(5)
Gains on financial asset held for trading	(2)	-
Unrealised exchange loss/(gain)	36	(230)
Government grant	(31)	-
Amortisation of deferred income	(22)	(30)
Operating profit/(loss) before working capital changes	(238)	754
(Increase)/decrease in stocks	3,568	2,195
(Increase)/decrease in receivables	(2,094)	1,510
Increase/(decrease) in payables	(1,935)	(1,924)
Cash generated from/(used in) operations	(699)	2,535
Interest received	3	5
Interest paid	(110)	(396)
Net cash flows generated from/(used in) operating activities	(806)	2,144
Cash flows from investing activities :		
Payments for property, plant and equipment	(1)	(574)
Receipt of government grant	31	-
Proceeds from sale of financial asset held for trading	398	-
Net cash flows used in investing activities	428	(574)
Cash flows from financing activities :		
Repayment of bank loan	(2,084)	-
Proceeds from bank loan	2,084	-
Increase in pledged deposits	(2)	(1)
Net proceeds from rights cum warrants issue	-	4,158
Payments of share issuance expense	-	(115)
Redemption of redeemable preference shares	-	(1,403)
Repayment of loan due to a director	-	(467)
Net cash flows generated from/(used in) financing activities	(2)	2,172
Net increase/(decrease) in cash and cash equivalents	(380)	3,742
Cash and cash equivalents at beginning of period	1,182	1,012
Effects of exchange rate changes on cash and cash equivalents	12	(54)
Cash and cash equivalents at end of period	814	4,700

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	As at 31 March	
	2018	2017
	\$'000	\$'000
Cash and bank balances	2,041	5,884
Less: bank overdraft (secured)	(205)	-
Less : pledged deposits	(1,022)	(1,184)
Cash and cash equivalents at end of period	814	4,700

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital \$'000	Merger reserve \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Safety fund surplus reserve \$'000	Total reserves \$'000	Non-controlling interest \$'000	Total equity \$'000
2018								
Balance at 1 January 2018	78,283	850	9,569	1,483	1,018	12,920	9,463	100,666
Impact on adoption of SFRS(I) 9	-	-	(9)	-	-	(9)	-	(9)
Balance at 1 January 2018, restated	78,283	850	9,560	1,483	1,018	12,911	9,463	100,657
Total comprehensive income for the period	-	-	(733)	791	-	58	-	58
Transfer to safety fund surplus reserve	-	-	(234)	-	234	-	-	-
Utilisation of safety fund surplus reserve	-	-	7	-	(7)	-	-	-
Balance at 31 March 2018	78,283	850	8,600	2,274	1,245	12,969	9,463	100,715
2017								
Balance at 1 January 2017	68,151	850	9,517	2,234	856	13,457	9,463	91,071
Issue of new ordinary shares	9,013	-	-	-	-	-	-	9,013
Share issuance expenses	(142)	-	-	-	-	-	-	(142)
Total comprehensive income for the period	-	-	122	(1,252)	-	(1,130)	-	(1,130)
Transfer to safety fund surplus reserve	-	-	(14)	-	14	-	-	-
Utilisation of safety fund surplus reserve	-	-	24	-	(24)	-	-	-
Balance at 31 March 2017	77,022	850	9,649	982	846	12,327	9,463	98,812

Company	Share capital \$'000	Retained earnings \$'000	Total reserves \$'000	Total equity \$'000
2018				
Balance at 1 January 2018	78,283	4,799	4,799	83,082
Total comprehensive income for the period	-	(343)	(343)	(343)
Balance at 31 March 2018	78,283	4,456	4,456	82,739
2017				
Balance at 1 January 2017	68,151	6,544	6,544	74,695
Issue of new ordinary shares	9,013	-	-	9,013
Share issuance expenses	(142)	-	-	(142)
Total comprehensive income for the period	-	(395)	(395)	(395)
Balance at 31 March 2017	77,022	6,149	6,149	83,171

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

As at 31 March 2018 and 31 December 2017, the number of issued ordinary shares of the Company (“Shares”) (excluding treasury shares) was 1,031,524,685.

As at 31 March 2018, the Company had 95,124,065 outstanding warrants, exercisable into 95,124,065 new Shares, representing approximately 9.22% of the total number of Shares (excluding treasury shares). As at 31 March 2017, the Company had 112,664,875 outstanding warrants, exercisable into 112,664,875 new Shares, representing approximately 11.11% of the total number of Shares (excluding treasury shares).

As at 31 March 2018 and 31 December 2017, the Company did not hold any treasury shares and there were no subsidiary holdings.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at	
	31 March 2018	31 December 2017
Total number of issued shares (excluding treasury shares)	1,031,524,685	1,031,524,685

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.



3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable. The figures have not been audited nor reviewed by the auditors.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in Paragraph 5, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the most recently audited consolidated financial statements for the financial year ended 31 December 2017.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group and the Company adopted SFRS(I) on 1 January 2018.

Other than those discussed below, the adoption of SFRS(I) does not have material impact on the financial statements in the year ending 31 December 2018.

SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International)

The adoption of SFRS(I) 1 will have no material impact on the financial statements in the year of initial application, other than the election of optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition of 1 January 2017. The Group has elected not to apply the optional exemption to reset its cumulative translation differences for all foreign operations to nil as at 1 January 2017.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 *Financial Instruments* introduces new requirements for classification and measurement, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristic and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model, either on a 12-month or lifetime basis, and replace FRS 39 incurred cost model. The Group applies the simplified approach and record lifetime expected losses on all trade receivables.

The Group and the Company adopted the new standard on the required effective date without restating prior periods' information and recognises any difference between the



previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

Accordingly, the Group recognised provision for doubtful debts on trade receivables of approximately \$9,000 in retained earnings as at 1 January 2018 with the adoption of SFRS(I) 9.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

**(a) based on the weighted average number of ordinary shares on issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).**

	Group	
	First Quarter Ended 31 March	
	2018	2017
Earnings/(loss) attributable to owners of the Company used in the computation of basic earnings per share (\$'000)		
- from continuing operations	(929)	(208)
- from discontinued operation	196	330
	<u>(733)</u>	<u>122</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	1,031,525	910,082
Basic earnings/(loss) per share (cents)		
- from continuing operations	(0.09)	(0.02)
- from discontinued operation	0.02	0.04
	<u>(0.07)</u>	<u>0.01</u>
Earnings/(loss) attributable to owners of the Company used in the computation of diluted earnings per share (\$'000)		
- from continuing operations	(929)	(208)
- from discontinued operation	196	330
	<u>(733)</u>	<u>122</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	1,031,525	910,082
Effects of dilution		
- Exercise of warrants ('000)	-	554
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,031,525	910,636
Diluted earnings/(loss) per share (cents)		
- from continuing operations	(0.09)	(0.02)
- from discontinued operation	0.02	0.04
	<u>(0.07)</u>	<u>0.01</u>

The dilutive instruments were anti-dilutive in 1Q2018 as the warrants are not in the money.



7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	As at		As at	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Net asset value (\$'000)	100,715	100,666	82,739	83,082
Number of ordinary shares ('000)	1,031,525	901,319	1,031,525	901,319
Net asset value per ordinary share (cents)	9.76	11.17	8.02	9.22



8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The figures in this section where applicable, have been rounded to the nearest one (1) decimal place.

The Group is organised into product units as follows:

- (a) upstream segment relates to the business of exploration, mining and sale of phosphate rocks (the “**Upstream Segment**”). Following discussion with the Sichuan Provincial Government to dispose of Mine 1, Mine 2 and Fengtai mine, the Upstream Segment had been presented as discontinued operation; and
- (b) downstream segment relates to the business of manufacturing, sale and trading of phosphate-based chemicals products such as P₄, sodium tripolyphosphate (“**STPP**”) and sodium hexametaphosphate (“**SHMP**”); and the sale of P₄ by-products, such as slag, sludge and ferrophosphate (the “**Downstream Segment**”).

Profit or loss

Revenue, cost of goods sold and gross profit

Revenue from continuing operations, mainly contributed by revenue from sale of P₄, decreased by \$0.5 million, from \$10.0 million in 1Q2017 to \$9.5 million in 1Q2018, due to lower quantity of P₄ sold in 1Q2018. The Group sold 2,990 tonnes of P₄ in 1Q2018, as compared to 3,700 tonnes in 1Q2017. Lower sales volume was due to customers being affected by pollution controls. The impact from the lower sales volume was partially mitigated by increase in average selling prices by 12%.

Cost of goods sold for continuing operations decreased by \$0.2 million, from \$9.1 million in 1Q2017 to \$8.9 million in 1Q2018, in line with the decrease in revenue from the Downstream Segment. The decrease in gross profit margin for the Downstream Segment from 9.5% in 1Q2017 to 6.4% in 1Q2018 was mainly due to the higher production costs in 1Q2018, partly due to costs resulted from restarting both of the P₄ furnaces after the lunar new year break. In 1Q2017, only one of the two furnaces was stopped for the lunar new year break. The Group also started to purchase rocks after depleting its inventory of phosphate rocks previously extracted from the Group's mines, contributing to the higher cost of raw materials.

Due to reasons stated above, gross profit from continuing operations decreased by \$0.4 million, from \$1.0 million in 1Q2017 to \$0.6 million in 1Q2018.

Other income

Other income remained relatively unchanged at \$0.1 million in 1Q2018 and 1Q2017.

Selling and distribution costs



Selling and distribution costs remained relatively unchanged at \$0.3 million in 1Q2018 and 1Q2017.

General and administrative costs

General and administrative costs increased by \$0.4 million, from \$0.9 million in 1Q2017 to \$1.3 million in 1Q2018 mainly due to higher professional fees and exchange loss of \$0.1 million in 1Q2018, as compared to exchange gain of \$0.2 million in 1Q2017.

Finance costs

Finance costs reduced by \$0.1 million, from \$0.2 million in 1Q2017 to \$0.1 million in 1Q2018 due to reduction in interest expense on redeemable preference shares which were redeemed in March 2017.

Taxation

In 1Q2018, the Group recorded a tax charge of \$0.03 million for continuing operations despite showing loss from continuing operations because losses incurred by the Group's Singapore subsidiaries could not be used to set off against the profits earned by the Group's profit making PRC subsidiary.

Discontinued operation

Loss from discontinued operation for 1Q2018 was mainly due to

- i) reduction in revenue from sales of phosphate rocks in 1Q2018. In 1Q2018, the Group sold 14,900 tonnes of phosphate rocks as compared to 34,700 tonnes in 1Q2017. The Group used its inventory of phosphate rocks mostly for its P₄ production in 1Q2018. Consequently, gross profit from sale of phosphate rocks reduced by \$0.4 million, from \$0.7 million in 1Q2017 to \$0.3 million in 1Q2018.
- ii) decrease in general and administrative expenses by \$0.2 million. The Group terminated the services of the employees in the mining department in November 2017. As the mining assets were classified as asset group held for disposal, no depreciation was charged on these assets in 1Q2018 in accordance to SFRS(I) 5.

Balance sheet

Non-current assets

Non-current assets increased by \$0.2 million, from \$30.3 million as at 31 December 2017 to \$30.5 million as at 31 March 2018 mainly due to translation gain on RMB denominated assets, partially offset by depreciation of property, plant and equipment.

Current assets

Current assets decreased by \$1.6 million, from \$108.4 million as at 31 December 2017 to \$106.8 million as at 31 March 2018 mainly due to decreases in stocks, financial asset held for



trading and cash and bank balances. The Group depleted its inventory of phosphate rocks previously extracted from the Group's mines, and sold the financial asset held for trading.

The decrease was partially offset by increase in trade and other receivables and prepayments. Trade receivables increased due to sales made in March 2018. Prepayments include prepayments made to suppliers of phosphate rocks.

Current liabilities

Current liabilities decreased by \$1.4 million, from \$18.5 million as at 31 December 2017 to \$17.1 million as at 31 March 2018, mainly due to decreases in trade and other payables due to payments made and reduction in advance payments from customers. The decrease was partially offset by increase in bank overdraft.

Non-current liabilities

Non-current liabilities increased by \$0.1 million, from \$19.4 million as at 31 December 2017 to \$19.5 million as at 31 March 2018, due to weakening of SGD against RMB .

Cash flow statement

Operating loss before working capital changes was \$0.2 million in 1Q2018. Cash out flow due to changes in working capital was \$0.5 million mainly due to decrease in payables and increase in receivables, partially offset by decrease in stocks. Payments for interest expense in 1Q2018 amounted to \$0.1 million. The above contributed to net cash flows used in operating activities of \$0.8 million in 1Q2018.

Net cash flows generated from investing activities was \$0.4 million due to proceeds from sale of financial assets held for trading.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Upstream Segment

Management continues to engage the Sichuan Provincial Government in negotiations for a settlement proposal for the non-renewal of the Mine 1 mining right and the request for undertaking to withdraw for Mine 2 and Fengtai. The Sichuan Provincial Government has advised that the compensation scheme is being drawn up but is unable to provide further details because the Proposed Panda Park covers an area of over 27,000 square kilometers and affects many companies. The Group's lawyer has written to the Chinese Government to *inter*



alia, remind them of their obligations under the Singapore/China and Asean/China investment treaties to pay compensation that is fair and prompt.

As at the date of this Announcement, the Group is still in negotiations with the Sichuan Provincial Government for a settlement proposal. In the event that the Board is not satisfied with the progress of the negotiations, the Group will proceed with international arbitration. The Group will make announcements as and when there are material developments in the negotiations with the Sichuan Provincial Government.

Downstream

Management will continue to monitor the cost of raw materials and production overheads and improve efficiency and reduce wastage to mitigate the higher costs of phosphate rock that has to be purchased from third party suppliers after the Group has fully utilised its inventory of phosphate rocks that were extracted from its mines in 2017.

Going forward

Management will concurrently review its current operational requirements and take steps to reduce overheads.

Management will continue to develop the export market for downstream chemicals and explore other opportunities to create income.

11. Dividend

(a) Current Financial Period Reported On: Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year: Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) Date payable

Not applicable.

(e) Books closure date.

Not applicable.



12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the first quarter ended 31 March 2018.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained from shareholders of the Company.

On 21 June 2013, Chief Executive Officer and Executive Director of the Company, Dr. Ong Hian Eng (“**Dr. Ong**”), Mr Ong Kwee Eng (an associate of Dr. Ong), and key executives Mr Wang Xuebo and Mr Chia Chin Hau (collectively, the “**Indemnitors**”) signed a deed of indemnity, under which they have jointly and severally undertaken, *inter alia*, to indemnify and hold harmless the Group against losses in connection with certain land use rights and certain licences, permits and approvals for the Group’s PRC operations (the “**Indemnity**”). No fees were paid or benefits given to the above-mentioned individuals in connection with the deed of indemnity. Please refer to the Company’s offer document dated 25 September 2013 (“**Offer Document**”) under the section entitled “Interested Person Transactions – Present and Ongoing Interested Period Transactions” (Page 191) for further details. Such indemnity against losses in connection with the abovementioned land use rights had expired on 7 April 2015. On 20 February 2017, the Company and the Indemnitors entered into a supplemental deed, pursuant to which it was agreed that the Indemnity shall terminate upon the occurrence of (i) any transaction or series of transaction resulting the Indemnitors and their associates (as defined in the Catalist Rules) collectively holding less than 51.0% of the total issued and paid-up share capital of the Company; and (ii) Dr. Ong, Mr Ong Eng Hock Simon, Mr Ong Eng Siew Raymond and Ms Ong Bee Pheng, and any relative (including by marriage) of Dr. Ong from time to time, no longer collectively constituting a majority representation on the Board.

14. Additional disclosure required for Mineral, Oil and Gas companies

14 (a) Rule 705(6)(a) of the Catalist Listing Manual

i. Use of funds/cash for the quarter:

No funds/cash were used for exploration and mining activities in 1Q2018.

ii. Projection on the use of funds/cash for the next immediate quarter, including principal assumptions:

No exploration and mining activities are planned for second quarter ending 30 June 2018.

14 (b) Rule 705(6)(b) of the Catalist Listing Manual

The board of directors (the “Board”) of the Company hereby confirms that to the best of its knowledge, nothing has come to its attention which may render the above information provided to be false or misleading in any material aspect.



14 (c) Rule 705(7) of the Catalist Listing Manual

Details of exploration (including geophysical surveys), mining development and/or production activities undertaken by the Group and a summary of the expenditure incurred on those activities including explanations for any material variances with previous projections, for the period under review. If there has been no exploration development and/or production activity respectively, that fact must be stated.

No funds/cash were planned and used for exploration and mining activities in 1Q2018.

14 (d) Rule 705(7)(b) of the Catalist Listing Manual

Update on its reserve and resources, where applicable, in accordance with the requirements set out in Practice Note 4C, including a summary of reserves and resources as set out in Appendix 7D.

Save for the information provided in the announcement dated 16 March 2018, the Group has no material updates on its phosphate reserves and resources as set out in the qualified person report issued by Watts, Griffis and McOuat Limited dated 13 March 2018.

Based on information available to the Group and advice rendered to the Directors, the Company intends to seek confirmation from the SGX that the Group is no longer required to comply with MOG disclosures in view of the recent developments in respect of the mining assets.

15. Negative confirmation pursuant to Rule 705(5) of the Catalist Listing Manual

The Board hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the first quarter ended 31 March 2018 to be false or misleading in any material aspects.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual

The Company hereby confirms that it has procured signed undertakings from all its Directors and the relevant executive officers in the format as set out in Appendix 7H of the Catalist Listing Manual in accordance with Rule 720(1) of the Catalist Listing Manual.

On behalf of the Board,

Ong Eng Hock Simon
Executive Director
26 April 2018



*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., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**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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