

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::SECOND QUARTER AND/ OR HALF YEARLY RESULTS

Issuer & Securities

Issuer/ Manager

ASIAPHOS LIMITED

Securities

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For Financial Period Ended

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Attachments

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ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR SECOND QUARTER ENDED 30 JUNE 2019

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, 10 April 2018, 22 June 2018, 29 August 2018, 31 August 2018, 15 November 2018, 20 December 2018 and 8 May 2019, the Group is currently in discussion 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 site in respect of Mine 2 and the non-renewal of the Mine 1 mining and exploration licenses and the non-renewal of the Fengtai mine exploration 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 presented as discontinued operation on the Group’s consolidated statement of comprehensive income statement.



PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF RESULTS FOR SECOND QUARTER ENDED 30 JUNE 2019

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.

	Second Quarter Ended 30 June			Financial Period Ended 30 June		
	2019 \$'000	2018 \$'000	Change %	2019 \$'000	2018 \$'000	Change %
Continuing operations						
Revenue	184	11,497	(98)	284	21,017	(99)
Cost of sales	(127)	(11,446)	(99)	(220)	(20,356)	(99)
Gross profit	57	51	12	64	661	(90)
Other income	74	47	57	165	132	25
Selling and distribution costs	(42)	(240)	(83)	(102)	(493)	(79)
General and administrative costs	(884)	(1,856)	(52)	(1,835)	(3,140)	(42)
Finance costs	(122)	(168)	(27)	(247)	(290)	(15)
Other expense	-	(1,555)	(100)	-	(1,555)	(100)
Profit/(loss) before tax, from continuing operations	(917)	(3,721)	(75)	(1,955)	(4,685)	(58)
Taxation	39	(26)	N.M.	39	9	333
Profit/(loss) from continuing operations, net of tax	(878)	(3,747)	(77)	(1,916)	(4,676)	(59)
Discontinued operation						
Profit/(loss) from discontinued operation, net of tax	(75)	(1,122)	(93)	(152)	(926)	(84)
Profit/(loss) for the period	(953)	(4,869)	(80)	(2,068)	(5,602)	(63)
Other comprehensive income						
<u>Items that may be recycled to profit or loss</u>						
Foreign currency translation gain/(loss)	(704)	(358)	97	(449)	433	N.M.
Total comprehensive income for the period	(1,657)	(5,227)	(68)	(2,517)	(5,169)	(51)
Net profit/(loss) for the period attributable to:						
<u>Owners of the Company</u>						
Profit/(loss) from continuing operations, net of tax	(878)	(3,747)	(77)	(1,916)	(4,676)	(59)
Profit/(loss) from discontinued operation, net of tax	(75)	(1,122)	(93)	(152)	(926)	(84)
	(953)	(4,869)	(80)	(2,068)	(5,602)	(63)
<u>Non-controlling interest</u>						
Profit/(loss) from continuing operations, net of tax	-	-	-	-	-	-
Profit/(loss) from discontinued operation, net of tax	-	-	-	-	-	-
	-	-	-	-	-	-
Profit/(loss) for the period	(953)	(4,869)	(80)	(2,068)	(5,602)	(63)
Total comprehensive income for the period attributable to:						
Owners of the Company	(1,657)	(5,227)	(68)	(2,517)	(5,169)	(51)
Non-controlling interest	-	-	-	-	-	-
	(1,657)	(5,227)	(68)	(2,517)	(5,169)	(51)
Attributable to owners of the Company						
Total comprehensive income for the period from continuing operations	(1,582)	(4,105)	(61)	(2,365)	(4,243)	(44)
Total comprehensive income for the period from discontinued operation	(75)	(1,122)	(93)	(152)	(926)	(84)
	(1,657)	(5,227)	(68)	(2,517)	(5,169)	(51)

"N.M." denotes not meaningful.

Note: an amount of S\$96,000 was reclassified from general and administrative costs to other expense in the second quarter ended 30 June 2018 ("2Q2018") and first half ended 30 June 2018 ("1H2018"), so as to be consistent with the classification in the audited financial statements for year ended 31 December 2018.



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 the second quarter ended 30 June 2019 (“2Q2019”), the Group recorded translation loss of \$0.7 million due to weakening of RMB against SGD.

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					
	Second Quarter Ended 30 June			Financial Period Ended 30 June		
	2019	2018	Change	2019	2018	Change
\$'000	\$'000	%	\$'000	\$'000	%	
Interest income	6	3	100	7	6	17
Gains on financial asset held for trading	-	-	-	-	2	(100)
Interest expenses						
- continuing operations	(113)	(143)	(21)	(223)	(237)	(6)
- discontinued operation	-	(16)	(100)	-	(32)	(100)
Amortisation and depreciation						
- continuing operations #	(148)	(91)	63	(316)	(197)	60
Provision for doubtful debts (made)/written back						
- continuing operations *	(9)	-	100	(9)	8	N.M.
- discontinued operation	(14)	(1,173)	(99)	(14)	(1,173)	(99)
Adjustment to inventories to net realisable value *	-	(640)	(100)	-	(640)	(100)
Provision (made)/reversed for impairment on property, plant and equipment	-	(1,459)	(100)	-	(1,459)	(100)
Staff termination costs						
- continuing operations *	(321)	(35)	817	(321)	(51)	529
(Loss)/gain on disposal of property, plant and equipment	26	(96)	N.M.	26	(96)	N.M.
Foreign exchange gain/(loss) *	182	43	323	114	(42)	N.M.
Overprovision of prior years' taxation	-	8	(100)	-	8	(100)

“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	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Land use rights	-	4,163	-	-
Right-of-use asset	4,190	-	-	-
Property, plant and equipment	15,530	16,007	-	-
Prepayments	684	679	-	-
Other receivables	34	34	-	-
Investment in subsidiaries	-	-	78,036	78,036
	20,438	20,883	78,036	78,036
Current assets				
Stocks	338	441	-	-
Trade receivables	60	99	-	-
Other receivables	259	232	58	5
Prepayments	452	517	18	107
Cash and bank balances	585	2,455	72	413
Assets of disposal group	89,611	89,795	-	-
Amounts due from subsidiaries	-	-	5,667	5,667
	91,305	93,539	5,815	6,192
Total assets	111,743	114,422	83,851	84,228
Current liabilities				
Trade payables	103	73	-	-
Other payables	2,522	2,800	235	361
Advance payments from customers	250	93	-	-
Interest-bearing bank loans	6,211	6,306	-	-
Lease liability	126	-	-	-
Liability of disposal group	783	795	-	-
Amounts due to subsidiaries	-	-	2,707	2,232
	9,995	10,067	2,942	2,593
Net current assets/(liabilities)	81,310	83,472	2,873	3,599
Non-current liabilities				
Deferred tax liabilities	17,232	17,287	-	-
Deferred income	1,916	1,945	-	-
Provision for reinstatement cost	45	45	-	-
Lease liability	4	-	-	-
	19,197	19,277	-	-
Total liabilities	29,192	29,344	2,942	2,593
Net assets	82,551	85,078	80,909	81,635
Equity attributable to owners of the Company				
Share capital	78,283	78,283	78,283	78,283
Reserves	(5,195)	(2,668)	2,626	3,352
	73,088	75,615	80,909	81,635
Non-controlling interest	9,463	9,463	-	-
Total equity	82,551	85,078	80,909	81,635

(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			
	30 June 2019		31 December 2018	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable				
In one year or less, or on demand	6,211	-	6,306	-
After one year	-	-	-	-
	6,211	-	6,306	-

Details of collaterals

As at 30 June 2019, the Group pledged right-of-use asset and certain property, plant and equipment of the Group, with net book value of RMB20.6 million (approximately \$4.1 million) and RMB81.9 million (approximately \$16.1 million) respectively, as collaterals. At 30 June 2019, an amount of RMB0.8 million (approximately \$0.1 million) included in the cash and bank balances can only be used for payment of interest on a bank loan.

As at 30 June 2019, the Company has also provided a corporate guarantee for a bank loan of RMB21.6 million (approximately \$4.2 million).

As at 31 December 2018, the Group pledged land use rights and certain property, plant and equipment of the Group, with net book value of RMB20.8 million (approximately \$4.2 million) and RMB82.6 million (approximately \$16.5 million) respectively, as collaterals. At 31 December 2018, an amount of RMB1.5 million (approximately \$0.3 million) included in the cash and bank balances can only be used for payment of interest on a bank loan.

As at 31 December 2018, the Company has also provided a corporate guarantee for a bank loan of RMB21.6 million (approximately \$4.4 million).

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			
	Second Quarter Ended 30 June		Financial Period Ended 30 June	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash flows from operating activities :				
Profit/(loss) before taxation				
- continuing operations	(917)	(3,721)	(1,955)	(4,685)
- discontinued operation	(75)	(1,202)	(152)	(926)
Profit/(loss) before taxation, total	(992)	(4,923)	(2,107)	(5,611)
Adjustments for :				
Depreciation expenses	125	301	270	639
Loss/(gain) on disposal of property, plant and equipment	(26)	96	(26)	96
Amortisation expenses	23	24	46	48
Interest expense (Note (a))	113	159	223	269
Interest income	(6)	(3)	(7)	(6)
Unrealised exchange loss/(gain)	(180)	(45)	(116)	(9)
Adjustment to inventories to net realisable value	-	640	-	640
Provision for doubtful debts	23	1,173	23	1,165
Provision made/(reversed) for impairment on property, plant and equipment	-	1,459	-	1,459
Gains on financial asset held for trading	-	-	-	(2)
Government grant	-	-	-	(31)
Amortisation of deferred income	-	(19)	-	(41)
Operating profit/(loss) before working capital changes	(920)	(1,138)	(1,694)	(1,384)
(Increase)/decrease in stocks	33	6,350	98	9,918
(Increase)/decrease in receivables	78	(610)	106	(2,696)
Increase/(decrease) in payables	(97)	(3,433)	(143)	(5,368)
Cash generated from/(used in) operations	(906)	1,169	(1,633)	470
Interest received	6	3	7	6
Interest paid (Note (a))	(113)	(159)	(223)	(269)
Tax paid	(3)	(718)	(3)	(718)
Net cash flows generated from/(used in) operating activities	(1,016)	295	(1,852)	(511)
Cash flows from investing activities :				
Payments for property, plant and equipment	-	-	-	(1)
Receipt of government grant	-	-	-	31
Proceeds from sale of financial asset held for trading	-	-	-	398
Proceeds from disposal of property, plant and equipment	44	46	44	46
Net cash flows generated by/(used in) investing activities	44	46	44	474
Cash flows from financing activities :				
Repayment of bank loan	-	-	(2,013)	(2,084)
Proceeds from bank loan	-	-	2,013	2,084
(Increase)/decrease in pledged deposits (Note (a))	78	(2)	153	(4)
Payments of lease liability	(31)	-	(61)	-
Net cash flows generated from/(used in) financing activities	47	(2)	92	(4)
Net increase/(decrease) in cash and cash equivalents	(925)	339	(1,716)	(41)
Cash and cash equivalents at beginning of period	1,370	814	2,153	1,182
Effects of exchange rate changes on cash and cash equivalents	(8)	(8)	-	4
Cash and cash equivalents at end of period	437	1,145	437	1,145

Note (a): Included in the interest expense in 2Q2019 and first half ended 30 June 2019 (“1H2019”) was an amount of S\$78,000 and S\$153,000, respectively, paid via deduction from a specific bank account. The amount in the specific bank account can only be used for payment of interest on a bank loan.

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 30 June	
	2019	2018
	\$'000	\$'000
Cash and bank balances	585	2,170
Less : pledged deposits	(148)	(1,025)
Cash and cash equivalents at end of period	437	1,145

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
2019								
Balance at 1 January 2019	78,283	850	(5,687)	619	1,550	(2,668)	9,463	85,078
Impact on adoption of SFRS(I) 16	-	-	(10)	-	-	(10)	-	(10)
Balance at 1 January 2019, restated	78,283	850	(5,697)	619	1,550	(2,678)	9,463	85,068
Total comprehensive income for the period	-	-	(1,115)	255	-	(860)	-	(860)
Balance at 31 March 2019	78,283	850	(6,812)	874	1,550	(3,538)	9,463	84,208
Total comprehensive income for the period	-	-	(953)	(704)	-	(1,657)	-	(1,657)
Balance at 30 June 2019	78,283	850	(7,765)	170	1,550	(5,195)	9,463	82,551
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
Total comprehensive income for the period	-	-	(4,869)	(358)	-	(5,227)	-	(5,227)
Transfer to safety fund surplus reserve	-	-	(234)	-	234	-	-	-
Utilisation of safety fund surplus reserve	-	-	9	-	(9)	-	-	-
Balance at 30 June 2018	78,283	850	3,506	1,916	1,470	7,742	9,463	95,488

Company	Share capital \$'000	Retained earnings \$'000	Total reserves \$'000	Total equity \$'000
2019				
Balance at 1 January 2019	78,283	3,352	3,352	81,635
Total comprehensive income for the period	-	(369)	(369)	(369)
Balance at 31 March 2019	78,283	2,983	2,983	81,266
Total comprehensive income for the period	-	(357)	(357)	(357)
Balance at 30 June 2019	78,283	2,626	2,626	80,909
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
Total comprehensive income for the period	-	(449)	(449)	(449)
Balance at 30 June 2018	78,283	4,007	4,007	82,290

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 2019 and 30 June 2019, the number of issued ordinary shares of the Company ("Shares") (excluding treasury shares) was 1,031,524,685.

As at 30 June 2018 and 30 June 2019, 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 30 June 2018 and 30 June 2019, 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	
	30 June 2019	31 December 2018
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 2018.

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.

SFRS(I) 16 Leases

SFRS(I) 16 *Leases* requires lessees to recognise most leases on balance sheets. SFRS(I) 16 requires recognition of a liability for lease payments (i.e. lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) at the commencement date of the lease. Lessees are required to separately recognise the interest expense on the lease liability and depreciation expense on the right-of-use asset during the lease term. The Group also applied the exemption not to recognise right-of-use asset and lease liability for lease for which the lease term ends within 12 months as of 1 January 2019.

Prior to adoption of SFRS(I) 16, the Group recognises lease payments as rental expenses for its leases previously classified as operating leases.

On the required effective date of SFRS(I)16, the Group and the Company adopted SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application (1 January 2019). Accordingly, the Group recognised right-of-use asset and lease liability of \$0.2 million and \$0.2 million, respectively, on its balance sheet, and cumulative adjustment of \$10,000 in retained earnings as at 1 January 2019 upon the adoption of SFRS(I) 16.

The Group also presented land use rights as right-of-use assets as of 1 January 2019.

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			
	Second Quarter Ended 30 June		Financial Period Ended 30 June	
	2019	2018	2019	2018
Earnings/(loss) attributable to owners of the Company used in the computation of basic earnings per share (\$'000)				
- from continuing operations	(878)	(3,747)	(1,916)	(4,676)
- from discontinued operation	(75)	(1,122)	(152)	(926)
	(953)	(4,869)	(2,068)	(5,602)
Weighted average number of ordinary shares for basic earnings per share ('000)	1,031,525	1,031,525	1,031,525	1,031,525
Basic earnings/(loss) per share (cents)				
- from continuing operations	(0.09)	(0.36)	(0.19)	(0.45)
- from discontinued operation	(0.01)	(0.11)	(0.01)	(0.09)
	(0.09)	(0.47)	(0.20)	(0.54)

The dilutive instruments were anti-dilutive in 2Q2019, 1H2019, 2Q2018, 1H2018 as the Group were in loss making positions and the warrants were 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	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Net asset value (\$'000)	82,551	85,078	80,909	81,635
Number of ordinary shares ('000)	1,031,525	1,031,525	1,031,525	1,031,525
Net asset value per ordinary share (cents)	8.00	8.25	7.84	7.91



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 two (2) 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**”). As discussions are in progress with the Chinese Government, 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 elemental phosphorus (“**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 decreased by \$11.32 million, from \$11.50 million in 2Q2018 to \$0.18 million in 2Q2019, due to absence of revenue contribution from P₄ in 2Q2019. There were 4,090 tonnes of P₄ sold in 2Q2018.

Revenue from continuing operations also include other phosphate chemicals, in particular, STPP. In 2Q2019, the Group sold 99 tonnes of STPP, as compared to 96 tonnes in 2Q2018.

Cost of goods sold for continuing operations decreased by \$11.32 million, from \$11.45 million in 2Q2018 to \$0.13 million in 2Q2019.

Notwithstanding the lower revenue in 2Q2019, gross profit from continuing operations increased from \$0.05 million in 2Q2018 to \$0.06 million in 2Q2019.

Other income

Other income increased by \$0.02 million, from \$0.05 million in 2Q2018 to \$0.07 million in 2Q2019 mainly due to gains on disposal of property, plant and equipment in 2Q2019. In addition, other income in 2Q2019 includes the contribution from rental of the STPP plant. There were no such income in 2Q2018.

There was no amortisation of deferred income in 2Q2019.



Selling and distribution costs

Selling and distribution costs decreased by \$0.20 million, from \$0.24 million in 2Q2018 to \$0.04 million in 2Q2019 due to lower sales commission and transportation related costs in 2Q2019.

General and administrative costs

General and administrative costs decreased by \$0.98 million, from \$1.86 million in 2Q2018 to \$0.88 million in 2Q2019, mainly due to absence of adjustments to stocks to net realisable value and increase in exchange gains in 2Q2019. General operation expenses also reduced in 2Q2019 as the Group downsized its operations.

The above reduction was partially offset by increase in staff termination costs incurred in 2Q2019.

Finance costs

Finance costs decreased by \$0.05 million, from \$0.17 million in 2Q2018 to \$0.12 million in 2Q2019 mainly due to reduction in bank charges and interest expense on discounting of note receivables.

Other expense

Other expense of \$1.56 million in 2Q2018 arose due to allowance for impairment loss made for P₄ plant and loss on disposal of property, plant and equipment. There were no such expenses in 2Q2019.

Taxation

Tax credit of \$0.04 million in 2Q2019 arose due to reversal of deferred tax liability which was no longer required.

Discontinued operation

Loss from discontinued operation decreased by \$1.04 million, from \$1.12 million in 2Q2018 to \$0.08 million in 2Q2019 mainly due to reduction of allowance made for doubtful debts in 2Q2019.

Balance sheet

Non-current assets

Non-current assets decreased by \$0.44 million, from \$20.88 million as at 31 December 2018 to \$20.44 million as at 30 June 2019, mainly due to depreciation and disposal of property plant and equipment, and weakening of RMB against SGD.

Current assets

Current assets decreased by \$2.23 million, from \$93.54 million as at 31 December 2018 to \$91.31 million as at 30 June 2019 mainly due to decreases in stocks, trade receivables,



prepayments, cash and bank balances and assets of disposal group. Reduction in cash and bank balances was due to payments made in 1H2019.

Current liabilities

Current liabilities decreased by \$0.07 million, from \$10.07 million as at 31 December 2018 to \$10.0 million as at 30 June 2019, mainly due to reduction in other payables due to repayments made and interest bearing bank loans due to weakening of RMB against SGD.

The decreases were partially mitigated by recognition of the current portion of lease liability in accordance with SFRS(I) 16 and increase in trade payables and advance payments from customers.

Non-current liabilities

Non-current liabilities decreased by \$0.08 million, from \$19.28 million as at 31 December 2018 to \$19.20 million as at 30 June 2019 mainly due to weakening of RMB against SGD .

Cash flow statement

Operating loss before working capital changes was \$0.92 million in 2Q2019. Cash inflow due to changes in working capital was \$0.01 million mainly due to decrease in stocks and receivables, partially offset by decrease in payables. Payments for interest expense in 2Q2019 amounted to \$0.11 million. The above contributed to net cash flows used in operating activities of \$1.02 million in 2Q2019.

Cash flows generated from investing activities of \$0.04 million in 2Q2019 were mainly due to proceeds from disposal of property, plant and equipment.

Cash flows generated from financing activities of \$0.05 million in 2Q2019 were mainly due to reduction in pledged deposit which was restricted to payment of interest expense, partially offset by payments of lease liability.

- 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

The Group has yet to receive any response from the Chinese Government on its proposal in relation to, *inter alia*, the appointment of the independent expert and the terms of reference for the valuation and the sharing of costs of appointing the independent expert. The Management and the lawyers are in the process of preparing a follow up reminder to be sent to the Chinese Government.



No adjustments have been made to the carrying value of the assets and liabilities of the disposal group as the recoverable amount will be dependent on the finalisation of compensation when either negotiation or arbitration is concluded.

The Company will make an announcement as and when there are material developments on this matter.

Downstream

The price of P₄ has increased significantly in July 2019.. Management is closely monitoring the price increase of P₄ as the higher prices, (along with potential availability of phosphate rocks from the State Owned Enterprises (“SOE”) that recently resumed mining), will make the operation of the P₄ plant viable and is in discussion with several parties on the potential resumption of P₄ production, or the lease or sale of the P₄ plant. The current P₄ prices had affected the production costs of the other downstream chemicals producers, including the Group’s tenant, Liangyungang Zexin Food Ingredients Co Ltd ("Liangyungang Zexin").

In May 2019, Liangyungang Zexin commenced production of downstream chemicals using the Group’s STPP plant. Whilst this is a positive development, the downstream business has been affected by the higher cost of production, and the Chinese Government’s wrongful conduct regarding the Group’s mines, thereby leading to significant issues with raw material prices and disruption of supplies/market availability. Furthermore, the headwinds from the ongoing USA-China trade dispute has also adversely impacted exports of downstream chemicals to the USA. Management will continue to develop the export markets in Asia and the Middle East.

Based on information available to the Group, the SOE customer, whom the Group entered into a settlement agreement with, has resumed mining. This development hopefully will result in the outstanding receivable due from the said customer be settled and phosphate rocks be available for the economic production of P₄. At the date of this announcement, the Group received RMB0.5 million out of RMB1.63 million from the first installment which was due on 31 July 2019. As the amount due from the customer had been fully provided in 2Q2018, the amount collected will be reversed as and when they are received.

Barring unforeseen circumstances, the directors after taking into consideration the available cash resources, anticipated recoveries and fruition of the business plan which include *inter alia*, the possible sale of land, the availability of phosphate rocks for downstream processing, the sale of downstream phosphate chemicals, are of the view that the presentation of the financial statements on going concern assumption is appropriate.

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 and the reason(s) for the decision.**

No dividend has been declared or recommended for 2Q2019 as the Company is not in the financial position to declare dividends.

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. 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.

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 2Q2019 to be false or misleading in any material aspects.

On behalf of the Board,

Dr Ong Hian Eng
CEO and Executive Director
2 August 2019

*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..
Telephone number: 6221 0271*

