

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::FIRST QUARTER RESULTS

Issuer & Securities

Issuer/ Manager

ASIAPHOS LIMITED

Securities

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For Financial Period Ended

31/03/2020

Attachments

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ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR FIRST QUARTER ENDED 31 MARCH 2020

This quarterly results announcement is mandatory, made pursuant to SGX-ST's requirements, as required under Listing Rule 705(2C).

Background of the Company

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, 8 May 2019, and 10 January 2020, 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, 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
FIRST QUARTER ENDED 31 MARCH 2020**

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		
	2020	2019	Change
	\$'000	\$'000	%
Continuing operations			
Revenue	274	100	174
Cost of sales	(230)	(93)	147
Gross profit	44	7	529
Other income	212	91	133
Selling and distribution costs	(34)	(60)	(43)
General and administrative costs	(864)	(951)	(9)
Finance costs	(126)	(125)	1
Profit/(loss) before tax, from continuing operations	(768)	(1,038)	(26)
Taxation	-	-	-
Profit/(loss) from continuing operations, net of tax	(768)	(1,038)	(26)
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	324	(77)	N.M.
Profit/(loss) for the period	(444)	(1,115)	(60)
Other comprehensive income			
<u>Items that may be recycled to profit or loss</u>			
Foreign currency translation gain/(loss)	1,089	255	327
Total comprehensive income for the period	645	(860)	N.M.
Net profit/(loss) for the period attributable to:			
<u>Owners of the Company</u>			
Profit/(loss) from continuing operations, net of tax	(768)	(1,038)	(26)
Profit/(loss) from discontinued operation, net of tax	324	(77)	N.M.
	(444)	(1,115)	(60)
<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	(444)	(1,115)	(60)
Total comprehensive income for the period attributable to:			
Owners of the Company	645	(860)	N.M.
Non-controlling interest	-	-	-
	645	(860)	N.M.
Attributable to owners of the Company			
Total comprehensive income for the period from continuing operations	321	(783)	N.M.
Total comprehensive income for the period from discontinued operation	324	(77)	N.M.
	645	(860)	N.M.

"N.M." denotes not meaningful.



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 first quarter ended 31 March 2020 (“1Q2020”), the Group recorded translation loss of \$1.0 million due to strengthening 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		
	First Quarter Ended 31 March		
	2020	2019	Change
	\$'000	\$'000	%
Interest income	1	1	-
Interest income on late payment by customer	119	-	100
Interest expenses			
- continuing operations	(116)	(110)	5
Amortisation and depreciation			
- continuing operations #	(201)	(168)	20
Provision for doubtful debts (made)/written back			
- discontinued operation	324	-	100
Stock take gain			
- continuing operations *	-	13	(100)
Foreign exchange gain/(loss) *	(268)	(68)	294

“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 2020 \$'000	31 December 2019 \$'000	31 March 2020 \$'000	31 December 2019 \$'000
Non-current assets				
Right-of-use asset	4,644	4,519	-	-
Property, plant and equipment	13,923	13,501	-	-
Prepayments	166	159	-	-
Other receivables	-	34	-	-
Investment in subsidiary	-	-	45,449	45,449
	18,733	18,213	45,449	45,449
Current assets				
Stocks	136	80	-	-
Trade receivables	87	40	-	-
Other receivables and prepayments	516	393	93	40
Cash and bank balances	1,128	881	58	67
Assets of disposal group	89,668	89,196	-	-
Amounts due from subsidiary	-	-	42	52
	91,535	90,590	193	159
Total assets	110,268	108,803	45,642	45,608
Current liabilities				
Trade payables	360	67	-	-
Other payables	2,652	2,540	199	240
Contract liabilities	127	209	-	-
Interest-bearing bank loans	6,246	6,004	-	-
Loan due to a director	350	200	350	200
Provision for taxation	45	45	-	-
Lease liability	33	66	-	-
Liability of disposal group	800	769	-	-
Provision for restoration	45	-	-	-
Amounts due to subsidiary	-	-	2,778	2,696
	10,658	9,900	3,327	3,136
Net current assets/(liabilities)	80,877	80,690	(3,134)	(2,977)
Non-current liabilities				
Deferred tax liabilities	17,276	17,245	-	-
Deferred income	1,958	1,882	-	-
Provision for reinstatement cost	-	45	-	-
	19,234	19,172	-	-
Total liabilities	29,892	29,072	3,327	3,136
Net assets	80,376	79,731	42,315	42,472
Equity attributable to owners of the Company				
Share capital	78,283	78,283	78,283	78,283
Reserves	(7,370)	(8,015)	(35,968)	(35,811)
	70,913	70,268	42,315	42,472
Non-controlling interest	9,463	9,463	-	-
Total equity	80,376	79,731	42,315	42,472

(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 2020		31 December 2019	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable				
In one year or less, or on demand	6,246	-	6,004	-
After one year	-	-	-	-
	6,246	-	6,004	-

Details of collaterals

As at 31 March 2020, the Group pledged certain right-of-use assets and certain property, plant and equipment of the Group, with net book value of RMB20.1 million (approximately \$4.0 million) and RMB69.0 million (approximately \$13.9 million) respectively, as collaterals. At 31 March 2020, an amount of RMB1.1 million (approximately \$0.2 million) included in the cash and bank balances can only be used for payment of interest on a bank loan.

As at 31 March 2020, the Company has also provided a corporate guarantee for a bank loan of RMB21.1 million (approximately \$4.2 million).

As at 31 December 2019, the Group pledged certain right-of-use assets and certain property, plant and equipment of the Group, with net book value of RMB20.4 million (approximately \$3.9 million) and RMB69.5 million (approximately \$13.4 million) respectively, as collaterals. At 31 December 2019, 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 2019, the Company has also provided a corporate guarantee for a bank loan of RMB21.1 million (approximately \$4.1 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	
	First Quarter Ended 31	
	March	
	2020	2019
	\$'000	\$'000
Cash flows from operating activities :		
Profit/(loss) before taxation		
- continuing operations	(768)	(1,038)
- discontinued operation	324	(77)
Profit/(loss) before taxation, total	(444)	(1,115)
Adjustments for :		
Depreciation and amortisation expenses	201	168
Interest expense (Note (a))	116	110
Interest income	(120)	(1)
Unrealised exchange loss/(gain)	323	64
Operating profit/(loss) before working capital changes	76	(774)
(Increase)/decrease in stocks	(54)	65
(Increase)/decrease in receivables	(185)	28
Increase/(decrease) in payables	252	(46)
Cash generated from/(used in) operations	89	(727)
Interest received	120	1
Interest paid (Note (a))	(110)	(110)
Net cash flows generated from/(used in) operating activities	99	(836)
Cash flows from financing activities :		
Repayment of bank loan	(1,987)	(2,013)
Proceeds from bank loan	1,987	2,013
(Increase)/decrease in pledged deposits (Note (a))	74	75
Payments of lease liability	(32)	(30)
Loan from a director	150	-
Net cash flows generated from/(used in) financing activities	192	45
Net increase/(decrease) in cash and cash equivalents	291	(791)
Cash and cash equivalents at beginning of period	396	2,153
Effects of exchange rate changes on cash and cash equivalents	11	8
Cash and cash equivalents at end of period	698	1,370

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

	As at 31 March	
	2020	2019
	\$'000	\$'000
Cash and bank balances	1,128	1,599
Less : pledged deposits for bank loans (Note (a))	(218)	(229)
Less : restricted use of mining deposits (Note (b))	(212)	-
Cash and cash equivalents at end of period	<u>698</u>	<u>1,370</u>

Note (a): Included in the interest expense in 1Q2020 and first quarter ended 31 March 2019 (“1Q2019”) were amounts of \$74,000 and \$75,000, 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.

Note (b): In 2019, the PRC government refunded deposits in respect of the Group’s rehabilitation obligations for its mines, but requires the amounts to be held in specific bank accounts and the use of these amounts is restricted until the completion of rehabilitation of the mines.



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
2020								
Balance at 1 January 2020	78,283	850	(10,086)	(329)	1,550	(8,015)	9,463	79,731
Total comprehensive income for the period	-	-	(444)	1,089	-	645	-	645
Balance at 31 March 2020	78,283	850	(10,530)	760	1,550	(7,370)	9,463	80,376
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

Company	Share capital \$'000	Retained earnings \$'000	Total reserves \$'000	Total equity \$'000
2020				
Balance at 1 January 2020	78,283	(35,811)	(35,811)	42,472
Total comprehensive income for the period	-	(157)	(157)	(157)
Balance at 31 March 2020	78,283	(35,968)	(35,968)	42,315
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

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 December 2019 and 31 March 2020, the number of issued ordinary shares of the Company (“Shares”) (excluding treasury shares) was 1,031,524,685.

As at 31 March 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 issued ordinary shares of the Company (excluding treasury shares).

There were no outstanding warrants as at 31 March 2020. The 95,124,065 warrants, exercisable into 95,124,065 new Shares, expired on 23 March 2020.

As at 31 March 2019 and 31 March 2020, 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 2020	31 December 2019
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, 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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed

The latest audited financial statements, for the financial year ended 31 December 2019, were subjected to a disclaimer opinion by the independent auditor of the Company (the "Auditor"). The following matters were included in the said audit opinion:

i) Assets and liability of disposal group and discontinued operation

Update:

As the Chinese Government has yet to finalise the compensation for the Mining Assets and negotiations are still ongoing, significant uncertainty continues to exist in 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 balance sheet as at 31 March 2020.

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

Update:

Significant uncertainties continue to exist with respect to the outcome of the settlement negotiations with the Chinese Government. The recoverable amounts of the investment in subsidiaries are dependent on the outcome of the settlement negotiations.

iii) Recoverable amount of property, plant and equipment

Update:

Using independent valuation reports prepared in 2019 by an independent Chinese professional valuer engaged by one of the Group's bankers, the Group recorded additional impairment charge of \$2.18 million on the P₄ plant in year ended 31 December 2019. The Group will continue to assess the recoverable amount of the P₄ plant.

The Board confirms that the impact of the abovementioned audit issues on the financial statements have been adequately disclosed.

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 2019.



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.**

The Group and the Company have adopted the new and revised Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) and Interpretations of Singapore Financial Reporting Standards (International) (“**INT SFRS(I)**”) that are mandatory for the financial period beginning on 1 January 2020. The adoption of these new/revised SFRS(I), INT SFRS(I) and amendments to SFRS(I) has no material impact on the financial performance or position of the Group and the Company.

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	
	2020	2019
Earnings/(loss) attributable to owners of the Company used in the computation of basic earnings per share (\$'000)		
- from continuing operations	(768)	(1,038)
- from discontinued operation	324	(77)
	<u>(444)</u>	<u>(1,115)</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	1,031,525	1,031,525
Basic earnings/(loss) per share (cents)		
- from continuing operations	(0.07)	(0.10)
- from discontinued operation	0.03	(0.01)
	<u>(0.04)</u>	<u>(0.11)</u>

The dilutive instruments were anti-dilutive in 1Q2019 and 1Q2020 as the Group was in loss making position and the warrants were not in the money. As at 31 March 2020, there were no dilutive instruments.

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 2020	31 December 2019	31 March 2020	31 December 2019
Net asset value (\$'000)	80,376	79,731	42,315	42,472
Number of ordinary shares ('000)	1,031,525	1,031,525	1,031,525	1,031,525
Net asset value per ordinary share (cents)	7.79	7.73	4.10	4.12

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**”); the sale of P₄ by-products, such as slag, sludge and ferrophosphate; and other phosphate chemicals (the “**Downstream Segment**”).

Profit or loss

Revenue, cost of goods sold and gross profit

Revenue from continuing operations increased by \$0.17 million, from \$0.10 million in 1Q2019 to \$0.27 million in 1Q2020, due to contribution from sale of sodium trimetaphosphate (“**STMP**”) to India and the Middle East. The Group sold 139 tonnes of STMP in 1Q2020 as compared to 5 tonnes in 1Q2019. The increase was partially offset by reduction in contribution from STPP and P₄ in 1Q2020. Sales of STPP were affected by US tariffs. The Group sold 19 tonnes of STPP in 1Q2020 as compared to 34 tonnes in 1Q2019.



Cost of goods sold for continuing operations increased by \$0.14 million, from \$0.09 million in 1Q2019 to \$0.23 million in 1Q2020.

Gross profit from continuing operations increased from \$0.01 million in 1Q2019 to \$0.04 million in 1Q2020. Gross margin improved from 7% in 1Q2019 to 16% in 1Q2020 mainly due to different mix of products sold in the two periods.

Other income

Other income increased by \$0.12 million, from \$0.09 million in 1Q2019 to \$0.21 million in 1Q2020 mainly due to contribution from rental of the STPP plant (\$0.05 million), as well as the receipt of interest on late payment from customer (\$0.12 million). There were no such income in 1Q2019.

The increase was partially offset by reduction in gain on sale of scrap materials in 1Q2020.

Selling and distribution costs

Selling and distribution costs decreased by \$0.03 million, from \$0.06 million in 1Q2019 to \$0.03 million in 1Q2020 due to reduction in expenses due to smaller operation size.

General and administrative costs

General and administrative costs decreased by \$0.09 million, from \$0.95 million in 1Q2019 to \$0.86 million in 1Q2020, mainly due to reduction in general operation expenses, including salaries and staff related costs and other administrative expenses.

The reductions were partially offset by increase in depreciation and amortisation due to depreciation of the STPP plant in 1Q2020 and exchange loss in 1Q2020.

Finance costs

Finance costs remained at \$0.12 million in 1Q2020 and 1Q2019.

Discontinued operation

Profit from discontinued operation of \$0.32 million in 1Q2020 arose from the write back of allowance for doubtful debts in 1Q2020 as the Group encash the bills (RMB1.6 million) received from an outstanding receivable which had been fully provided for previously.

Balance sheet

Non-current assets

Non-current assets increased by \$0.52 million, from \$18.21 million as at 31 December 2019 to \$18.73 million as at 31 March 2020, resulting from the strengthening of RMB against SGD, and reclassification of rental deposits from non-current assets to current assets.

The increase was partially offset by depreciation and amortisation for the period.



Current assets

Current assets increased by \$0.95 million, from \$90.59 million as at 31 December 2019 to \$91.54 million as at 31 March 2020 mainly due to increases in stocks, trade and other receivables and cash and bank balances. Increase in stocks was mainly due to due to certain sales contracts straddling 31 March 2020 because of delays in delivery due to Covid 19. Increase in trade receivables is in line with increase in sales. Increase in other receivables and prepayments was mainly due to reclassification of rental deposits from non-current assets to current assets and increase in receivables due to sales of materials. The increase in cash and bank balances was mainly due to encashment of bills receivables.

Current liabilities

Current liabilities increased by \$0.76 million, from \$9.90 million as at 31 December 2019 to \$10.66 million as at 31 March 2020, mainly due to increase in trade and other payables, interest bearing bank loans resulting from the strengthening of RMB against SGD. Increase in trade payables was mainly because of the Group's continued obligations to the suppliers as the suppliers were paid in bills receivables. The trade payables will be derecognised, as and when the bill receivables reach their respective maturity dates, during the third quarter ending 30 September 2020. Increase in other payables was mainly due to increase in accrual for withholding tax. Increase in current liabilities was also due to increase in loan due to a director and reclassification of provision of restoration cost from non-current liabilities to current liabilities.

The increases were partially mitigated by reduction in contract liabilities and lease liability.

Non-current liabilities

Non-current liabilities increased by \$0.06 million, from \$19.17 million as at 31 December 2019 to \$19.23 million as at 31 March 2020 mainly due to increases in deferred tax liabilities and deferred income resulting from the strengthening of RMB against SGD.

The increases were partially mitigated by reclassification of provision of restoration cost from non-current liabilities to current liabilities.

Cash flow statement

Operating profit before working capital changes was \$0.08 million in 1Q2020. Cash inflow due to changes in working capital was \$0.01 million mainly due to increase in payables, partially offset by increase in stocks and receivables. Receipt of interest income and payments for interest expense in 1Q2020 amounted to \$0.12 million and \$0.11 million, respectively. The above contributed to net cash flows generated from operating activities of \$0.10 million in 1Q2020.

Cash flows generated from financing activities of \$0.19 million in 1Q2020 were mainly due to loan from a director and decrease in pledged deposit used solely for payment of interest expense, partially offset by payments of lease liability.



There were no cash flows generated from or used in investing activities in 1Q2020 and 1Q2019.

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.

The Group's lawyers have sent a reminder to the Chinese Government before the Chinese New Year 2020 but the Group has yet to receive any response to its proposal in relation to the joint appointment of an independent expert to conduct a valuation of the Company's claims against the Chinese Government or any other alternative proposal to reach an amicable settlement. In addition, the Group has asked the Singapore Government for assistance in raising this issue with the Chinese Government.

The Chinese Government had informed the Group's lawyers before the Chinese New Year 2020 that they would check with the Sichuan Government on the status of their internal discussion. However, they have not provided any update to the Group's lawyers despite the Group's follow-up letter on 11 March 2020.

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.

During the course of 1Q2020, the State-Owned customer has settled the remaining principal amounts owed and overdue interest and expenses in multiple instalments (primarily in the form of bills receivable), which in aggregate totalled RMB 3.7 million. Of the bills previously received from the State-Owned customer totalling RMB3.1 million, the Group had encashed bills amounting to RMB 1.6 million and has recognised a write back of allowance for doubtful receivables of RMB1.6 million in 1Q2020. The remaining allowance for doubtful receivables of RMB 1.5 million will be written back by the third quarter ending 30 September 2020, based on the maturity dates of the bills receivables and/or as and when these bills are encashed.

On 10 April 2020, the State-Owned customer replied to the Group that they agree to indemnify Mianzhu Norwest, for the principal amount and overdue interest in the event that the Group is unable to cash out the post-dated bills receivable when they fall due.

As a consequence of the 'non-production' status for our P4 operations (since mid-2018, due to the non-availability of raw materials for the economic production of P4 following the wrongful actions of the Chinese Government which required the Group to discontinue its mining operations), the Group will be exploring possibility of selling or renting the P4 plant. Management will follow the development closely and will provide updates as and when they arise.



Management is also exploring several opportunities for cooperation but they are in the preliminary stage and there is no certainty that any deal may materialise. Barring unforeseen circumstances, the directors after taking into consideration the available cash resources, anticipated recoveries, projected extension of bank loans when they fall due 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) Record 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 1Q2020 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.

In addition to the loan of \$200,000 extended by Dr. Ong in August 2019, Dr. Ong has extended a loan of \$150,000 to the Company in February 2020. Both the loans are for the Company's working capital, are unsecured, repayable on demand and will bear interest at 8% per annum. The total interest on loans accrued to Dr. Ong amount to \$11,000. The Audit Committee had discussed the terms of the loans and is of the view that the loans are i) for the benefit of the Group; ii) on normal commercial terms; and iii) are not prejudicial to the interests of the issuer and its minority shareholders.

14. 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 1Q2020 to be false or misleading in any material aspects.

15. 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,

Dr Ong Hian Eng
CEO and Executive Director
12 May 2020

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 Catalist 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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