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1. ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LYR
  2. ISSUE OF 101,319,000 NEW SHARES IN THE CAPITAL OF THE COMPANY TO MR. LUO
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*Capitalised terms used herein shall, unless otherwise defined, have the definitions ascribed to them in the Company's announcements dated 22 April 2014 and 30 April 2014.*

## 1. Introduction

Further to the announcements made by the Company on 22 April 2014 and 30 April 2014, the Board is pleased to announce that, in satisfaction of the conditions precedent stated in the Option Agreement:

- (i) the matters described in the Restructuring Memorandum (relating to the Dashan Reorganisation and FengTai Restructuring) have been completed by Mr. Luo, Dashan, FengTai and LYR respectively; and
- (ii) the LYR Group (comprising LYR and its subsidiaries) has achieved a valuation of approximately RMB 266,580,000 (approximately S\$54,515,337) as at 31 December 2014, based on the valuation report dated 26 June 2015 (the "**Valuation Report**") issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

The Company had, accordingly, resolved to (i) acquire existing LYR Shares; and (ii) subscribe for new LYR Shares, and as a result would hold the entire issued and paid-up share capital of LYR (the "**Acquisition**") for a consideration of RMB 250,000,000 (approximately S\$51,124,744) (the "**Acquisition Consideration**"). The Acquisition Consideration was arrived at on a willing buyer, willing seller basis taking into account, *inter alia*, the rationale as stated in the Company's announcement dated 22 April 2014, and the LYR Group being valued at not less than RMB 250,000,000 based on the Valuation Report. Based on the management accounts of LYR as at 31 December 2014, the net tangible asset value of LYR Group is S\$34,300,000.

The Acquisition would be effected in the following manner:

- (i) *Conversion of Dashan Advance.* Subject to receipt of the necessary approvals, including the LQN (defined below), Mianzhu Norwest will exercise its right to convert the Dashan Advance, pursuant to which, LYR will issue new LYR Shares, representing approximately 4% of the enlarged issued share capital of LYR, to APR (under the direction of Mianzhu Norwest) for the repayment of the Dashan Advance of RMB 10,000,000 (approximately S\$2,044,990);
- (ii) *Conversion of Notes.* Subject to receipt of the necessary approvals, including the LQN (defined below), APR will exercise its right to convert all its outstanding Notes, pursuant to which, LYR will issue new LYR Shares, representing approximately 46.5% of the enlarged issued share capital of LYR, to APR based on the conversion of the Notes of a principal amount of S\$15,000,000 and interest accrued up to the date the conversion of the Notes is completed; and
- (iii) *Exercise of Call Option.* The Company had on 29 June 2015 exercised the Call Option, pursuant to which, APR (as the Company's nominee) will acquire from Mr. Luo all of his

existing LYR Shares, representing the balance 49.5% of the enlarged issued share capital of LYR. On completion of the exercise of the Call Option, 101,319,000 new ordinary shares in the capital of the Company (“**Shares**”) will be issued to Mr. Luo by the Company (the “**AP Consideration Shares**”) to satisfy the consideration payable to Mr. Luo for the exercise of the Call Option (the “**Proposed Issue**”).

The completion of the exercise of the Call Option shall be conditional upon, *inter alia*, the receipt by the Company of the Listing and Quotation Notice (“**LQN**”) from the SGX-ST for the listing and quotation of the AP Consideration Shares on the Catalist Board of the SGX-ST. The Sponsor (defined below) will be submitting an additional listing confirmation to the SGX-ST on behalf of the Company for the listing and quotation of the AP Consideration Shares on the Catalist Board of the SGX-ST.

The fair value of the consideration provided by the Company for the Acquisition as set out above will be approximately \$36,800,000.

The Acquisition is in the ordinary course of business of the Group, and will allow the Group to (i) acquire the economic benefits under the Dashan Arrangement presently accruing to Dashan; and (ii) benefit from ownership and/ or control over Fengtai (and correspondingly, the Fengtai License). The Group believes that it will be able to capitalise on the Fengtai License to expand the effective land area where the Group has mining and exploration rights. This allows the Group to benefit from greater economies of scale and operational synergies, which has the potential to improve the Group’s operational and financial performance over time.

## **2. Further Information on Mr. Luo and the LYR Group**

LYR is a company limited by shares incorporated in Singapore which is presently wholly-owned by Mr. Luo. Mr. Luo also holds a 50% equity interest in Dashan, the Group’s cooperation partner in the PRC.

As at the date of this announcement, the LYR Group holds (i) the economic benefits of the Dashan Arrangement which accrued to Dashan prior to the Dashan Reorganisation; and (ii) a 55% equity interest in FengTai, a company incorporated in the PRC, which holds the FengTai Licence – an exploration licence for barite rocks (重晶石). Mr. Luo is required to, pursuant to a service agreement entered into between Mr. Luo and WFOE2 (defined in Schedule 1), use his best endeavours to expand the scope of the FengTai Licence to include the exploration and mining of phosphate rocks. In consideration thereto, Mr. Luo is entitled to receive a payment equivalent to 15% of WFOE2’s net profits after tax for five (5) consecutive years thereafter, subject to a cap of RMB 3,000,000 per year.

The Company confirms that Mr. Luo has no connection (including any business relationship) with any of the Directors or substantial shareholders of the Company, and is not a person who falls within the categories set out under Rule 812(1) of the Listing Manual.

## **3. Completion**

On completion of the Acquisition, (i) the Dashan Advance and the Notes will be converted into new LYR Shares which will be issued to APR (as directed by Mianzhu Norwest in the case of the Dashan Advance); (ii) Mr. Luo shall transfer the legal and beneficial title in all of his LYR Shares to APR (as nominated by the Company); and (iii) the Company shall allot and issue the AP Consideration Shares to Mr. Luo.

LYR will become a wholly-owned subsidiary of the Company. The corporate structure of the Group upon Completion is set out in **Schedule 1** to this announcement.

#### 4. Terms of the Proposed Issue

The AP Consideration Shares will only be issued upon completion of the exercise of the Call Option, which is conditional upon, *inter alia*, receipt by the Company of the LQN from SGX-ST.

When issued, the AP Consideration Shares, comprising 101,319,000 Shares, will represent approximately 12.7% of the Company's issued and paid-up share capital as at the date of this announcement, and approximately 11.2% of the enlarged issued and paid-up share capital of the Company following completion of the Proposed Issue.

Following completion of the Proposed Issue, the Company's issued and paid-up share capital will increase from 800,000,000 Shares to 901,319,000 Shares.

##### Issue Price

Under the terms of the Option Agreement, the number of AP Consideration Shares to be issued will be determined based on a price per new AP Consideration Share of S\$0.25<sup>1</sup> ("**Issue Price**").

The Issue Price represents a premium of approximately 117% to the weighted average price of S\$0.115 for trades done on the SGX-ST for the full market day on 29 June 2015, being the full market day on which the Call Option was exercised, and a premium of approximately 45.3% to the weighted average price of S\$0.172 for trades done on the SGX-ST for the full market day on 17 April 2014, being the full market day on which the Option Agreement was entered into.

##### Share Issue Mandate

The AP Consideration Shares will be issued pursuant to the general share issue mandate (the "**2015 Mandate**") granted by shareholders of the Company ("**Shareholders**") at the annual general meeting held on 29 April 2015 ("**2015 AGM**"), which was passed by way of an ordinary resolution.

As at the date of the 2015 AGM, the total number of issued Shares (excluding treasury shares) was 800,000,000 Shares. Under the 2015 Mandate, the aggregate number of Shares to be issued other than on a *pro rata* basis to Shareholders shall not exceed 50% of the total number of issued Shares (excluding treasury shares) as at the date of the 2015 AGM (i.e. 400,000,000 Shares).

No Shares were issued under the 2015 Mandate prior to the Proposed Issue, and the Proposed Issue will fall within the limits of the 2015 Mandate.

##### Status

The AP Consideration Shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to existing Shares, except that they will not rank for any dividend, right, allotment or other distributions the record date for which falls on or before the date of the issue of the AP Consideration Shares.

##### Moratorium

Under the terms of the Option Agreement, the AP Consideration Shares to be issued to Mr. Luo shall be subject to a moratorium period of 12 months from the date of issue of such Shares.

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<sup>1</sup> In light of applicable financial reporting standards, each AP Consideration Share will be recorded in (i) the regulatory filings to be made with the Accounting and Corporate Regulatory Authority (ACRA); and (ii) the financial statements of the Company as being issued at S\$0.115, being the prevailing market price of the Company's shares.

## No Prospectus or Offer Information Statement to be issued

The Proposed Issue will be undertaken by way of a private placement in accordance with Section 272B of the Securities and Futures Act (Cap. 289). As such, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore.

### 5. Financial Effects

For illustrative purposes only, based on (i) the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 (“FY2014”), being the latest available financial statements of the Group for a full financial year; and (ii) the issuance of 101,319,000 Shares, each issued at the Issue Price, as AP Consideration Shares, the financial effects of the completion of the Acquisition are estimated as follows:

#### NTA

Assuming that the Acquisition (comprising, *inter alia*, the conversion of the Dashan Advance and the Notes, the exercise of the Call Option and the Proposed Issue) was completed on 31 December 2014, the net tangible assets (“NTA”) of the Group as at 31 December 2014 would have been:

	<b>Before completion of the Acquisition</b>	<b>After completion of the Acquisition</b>
NTA (S\$'000)	71,992	117,790
Number of Shares	800,000,000	901,319,000
NTA per Share (S\$ cents)	9.00	13.07

#### EPS

Assuming that the Acquisition (comprising, *inter alia*, the conversion of the Dashan Advance and the Notes, the exercise of the Call Option and the Proposed Issue) was completed on 1 January 2014, the earnings per Share (“EPS”) of the Group for FY2014 would have been:

	<b>Before completion of the Acquisition</b>	<b>After completion of the Acquisition</b>
Profit/(loss) attributable to Shareholders (S\$'000)	19,498	(3,700)
Number of Shares	800,000,000	901,319,000
Earnings/(Loss) Per Share (S\$ cents)	2.44	(0.41)

The loss attributable to Shareholders and loss per share after completion of the Acquisition is due to the non-recognition of fair value gains on financial instruments relating to the acquisition of LYR and also due to the recognition of an accounting charge of an amount of RMB 10,900,000 (approximately S\$2,400,000) relating to a portion of the purchase consideration which will be deemed as an effective settlement of a pre-existing relationship in accordance with **FRS 103 Business Combination**.

### 6. Relative Figures Computed based on Rule 1006 of the Listing Manual

The Company is of the view that the Acquisition (comprising, *inter alia*, the conversion of the Dashan Advance and the Notes, the exercise of the Call Option and the Proposed Issue) are in the ordinary course of business of the Group. Notwithstanding this, the Company wishes to present the relative

figures for the Acquisition (comprising, *inter alia*, the conversion of the Dashan Advance and the Notes, the exercise of the Call Option and the Proposed Issue) computed on the relevant bases set out in Rule 1006 of the Listing Manual for the benefit of shareholders and in the spirit of disclosure:

<u>Bases of calculation</u>	<u>Size of relative figures (%)</u>
Rule 1006(a) The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable, as the transactions contemplated do not involve a disposal of assets.
Rule 1006(b) The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not meaningful, as LYR is in a loss making position due to the interest expense on the Notes that is payable to the Group.
Rule 1006(c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	55.2% <sup>(1)</sup>
Rule 1006(d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	12.7%
Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable, as the transactions contemplated do not involve a disposal of assets.

**Notes:**

- (1) The value of the consideration is determined adding (i) the product of the number of AP Consideration Shares and S\$0.115, being the volume weighted average share price of the Shares on 26 June 2015 (being the market day preceding the date the Call Option was exercised); and (ii) the consideration that is attributable to the Company in relation to the conversion of the Dashan Advance and the carrying value of the Notes. The market capitalisation of the Company is determined by multiplying the Company's total number of issued shares of 800,000,000 by S\$0.115, being the volume weighted average share price of the Company's shares on 26 June 2015, being the market day preceding the date the Call Option was exercised.

## **7. Interests of Directors and Controlling Shareholders**

None of the Directors or controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Acquisition (comprising, *inter alia*, the conversion of the Dashan Advance and the Notes, the exercise of the Call Option and the Proposed Issue), save for their interests arising by way of their shareholdings and/ or directorships, as the case may be, in the Company.

## **8. Service Agreements**

No person will be appointed to the Board in connection with the Acquisition (comprising, *inter alia*, the conversion of the Dashan Advance and the Notes, the exercise of the Call Option and the Proposed Issue) and no service contracts in relation thereto will be entered into by the Company.

Further, as described in Section 2 above, Mr. Luo has entered into a service agreement with WFOE2 (which will become an indirect wholly-owned subsidiary of the Company upon completion of the Acquisition), pursuant to which Mr. Luo is entitled to receive a payment equivalent to 15% of WFOE2's net profits after tax for five (5) consecutive years thereafter, subject to a cap of RMB 3,000,000 per year.

## **9. Further Announcements**

The Company will make further announcements as and when there are material updates on the foregoing, including receipt of the LQN.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

## **10. Documents for Inspection**

A copy of each of the Valuation Report, Notes Subscription Agreement and Option Agreement will be made available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of issue of AP consideration shares.

## **11. Caution in Trading**

Shareholders are advised to exercise caution when trading in the Company's shares.

Shareholders and potential investors are advised to read this Announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

## **BY ORDER OF THE BOARD**

Simon Ong Eng Hock  
Executive Director  
**ASIAPHOS LIMITED**

6 July 2015

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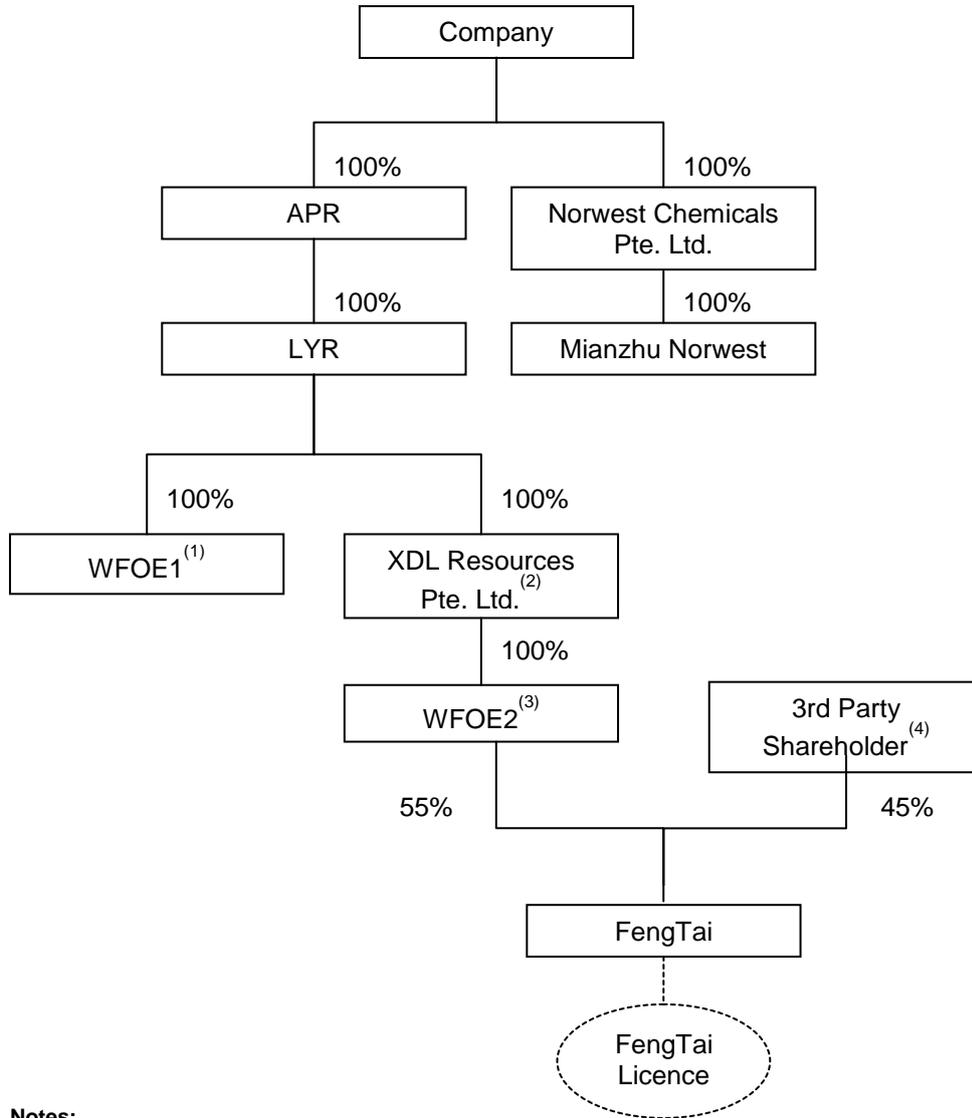
*This announcement was prepared by the Company and the contents were reviewed by the Company's sponsor, United Overseas Bank Limited (the "**Sponsor**"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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 persons for the Sponsor are Mr Khong Choun Mun, Managing Director, Corporate Finance and Mr Low Han Keat, Senior Director, Corporate Finance, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.*

## Schedule 1

(Corporate Structure of the Group upon completion of the acquisition of LYR Group)



**Notes:**

- (1) Deyang Xin Zhong Lian He Technical Consulting Co., Ltd (德阳新中联禾科技咨询有限公司), a wholly-foreign owned enterprise incorporated in the PRC (“WFOE1”)
- (2) incorporated in Singapore
- (3) Deyang City Xianrong Technical Consulting Co., Ltd (德阳市显荣技咨询有限公司), a wholly-foreign owned enterprise incorporated in the PRC (“WFOE2”)
- (4) a PRC citizen who is unrelated to the Directors and substantial shareholders of the Company